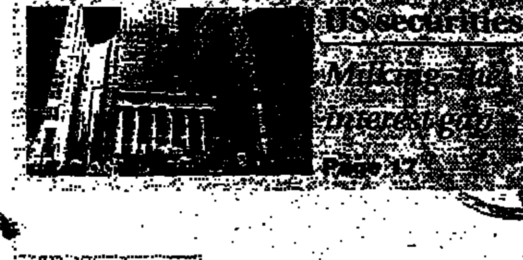

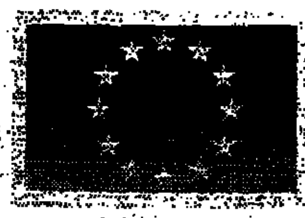

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Riding on the SVR: a model private railway

NEWSPAPER OF THE YEAR

FINANCIAL TIMES

Friday July 17 1992 | EUROPE'S BUSINESS NEWSPAPER | D8523A

Israel and Egypt poised to hold summit meeting

Israel and Egypt appear set to hold their first summit in six years following the announcement in Tel Aviv that the newly elected Labour government was temporarily freezing funds for settlements in the occupied Arab territories. Page 16

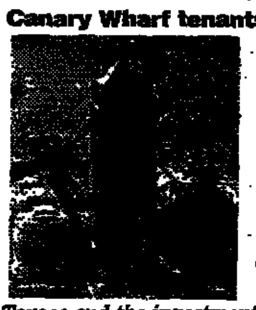
Blow to fraud office: Britain's Serious Fraud Office suffered a severe blow when four City advisers found guilty of fraud over the Blue Arrow affair had their convictions overturned by the Appeal Court. Page 16; SFO reputation in tatters, Page 6

Serbs offer truce: The leader of Bosnia's Serbs ordered his forces *to stop shelling the eastern* city of Gorazde and proposed a 14-day truce as a first step towards *ending the fighting*. Page 3; Carrington interview, Page 16

Botha opens door to UN: South African foreign minister Pik Botha, in a speech to the UN Security Council, urged the ANC to take part in talks aimed at ending political violence and opened the way for a UN mission. Page 4

Businessman arrested: Salvatore Ligresti, the self-made construction king of Milan, was arrested on charges of alleged corruption relating to the city's five-month-old municipal scandal involving rigged contracts and political kick-backs.

Canary Wharf tenants warn government



Prospective tenants of Canary Wharf are warning British prime minister John Major that unless the Jubilee underground railway line is extended into east London they will reconsider their decision to move to Docklands. The tenants include the US oil company Texaco and the investment banks Credit Suisse First Boston and Bear Stearns. Page 8

Wellcome Trust, the medical charity, is offering *to buy shares in other companies from institutional* investors which apply for the shares in drugs *group Wellcome that the trust is selling.* Page 17; Lex, Page 16

Russian bank chief quits: Russian central bank chairman Georgy Matyukhin resigned after months of confrontation with the government over economic reform. He had been criticised for his tight credit control. Page 3

Rodney King arrested: *Rodney King, the* black motorist whose videotaped beating by four *white police officers led to the Los Angeles riots,* was arrested for alleged drunken driving.

Unisys, the debt-laden US computer maker, continued its turnround by reporting a third consecutive profitable quarter and its highest gross profit margins in three years. Page 17

Caterpillar, the world's largest maker of earthmoving equipment, *suffered a second-quarter* loss of $53m because of a significant drop in sales and the effects of a prolonged strike. *Page 17*

IMF accord at risk: Nigeria's purchase of 12 Czech jet trainers in a deal worth more than $90m could jeopardise efforts to renew a standby agreement with the IMF which is concerned about government overspending. Page 4

Toyota, Japan's biggest car maker, is to start importing *US-made Toyota* cars into Japan next month as part of efforts to reduce Japan's huge trade surplus with the US. Page 5

Olympic competition: The European Commission said it had brought the true spirit of competition to the Barcelona Olympics by persuading the games committee to ease its strict ticket distribution policy. Page 4

Skandia, a leading Swedish insurer, announced the registration of an initial public offering of 30 per cent of the common stock in its US subsidiary, *Skandia America Corp. Page 17*

AT&T, the US telecommunications and computer group, increased second-quarter net income by 3.5 per cent and reported that its credit card, launched in 1990, had moved into profit for the first time. Page 19

China ties strengthened: Taiwan's parliament, *after two years of debate, passed a landmark* law paving the way for the island to expand economic *and political* links with China.

Samsung, South Korea's largest conglomerate, has purchased Werk für Fernsehelektronik, a leading electronics company in former East Germany, for $20m. Page 20

■ STOCK MARKET INDICES		
FT-SE 100:	2,483.4	(−3.0)
Yield	4.92	
FT-SE Eurotrack 100	1,126.48	(−2.05)
FT-A All-Share	1,198.55	(−0.1%)
Nikkei	16,987.56	(−129.26)
New York: lunchtime		
Dow Jones Ind Ave	3,336.59	(−8.92)
S&P Composite	415.01	(−2.09)
■ US LUNCHTIME RATES		
Federal Funds:	3¼%	
3-mo Treas Bills: Yld	3.24%	
Long Bond	104 2/32	
Yield	7.641%	
■ LONDON MONEY		
3-mo Interbank	10 3/16%	(10¼%)
Liffe long gilt future:	Sep 99 3/16	(Sep 99)
■ NORTH SEA OIL (Argus)		
Brent 15-day Sep	$20.275	(19.975)
■ Gold		
New York Comex	$352.6	(354)
London	$352.55	(351.85)

■ STERLING		
New York lunchtime:		
$	1.936	
London:		
$	1.9365	(1.9255)
DM	2.855	(2.845)
FFr	9.64	(9.6125)
SFr	2.565	(2.5725)
Y	242.75	(240.75)
£ Index	92.7	(92.4)
■ DOLLAR		
New York lunchtime:		
DM	1.4765	
FFr	4.985	
SFr	1.3265	
Y	125.3	
London:		
DM	1.4745	(1.4775)
FFr	4.9775	(4.9925)
SFr	1.3245	(1.336)
Y	125.4	(125.05)
$ Index	60.1	(60.2)
Tokyo close Y 124.93		

Austria	Sch30	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR9.00
Bahrain	Din1.000	Iceland	IKr180	Morocco	MDh11	Singapore	S$4.10
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht50
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000
France	FFr8.50	Kuwait	Fils.500	Poland	Zl 18,000	UAE	Dh9.00
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190		
Greece	Dr250	Lux	LFr60	Qatar	QR10.00		

Most European countries decline to follow Bundesbank's move

Germany lifts discount rate

By Andrew Fisher in Frankfurt and David Marsh and James Blitz in London

EUROPEAN central banks today will attempt to maintain their resistance to upward pressure on interest rates following yesterday's monetary tightening action by the German Bundesbank.

The Bundesbank's increase in the discount rate by a larger than expected ¾ point to 8.75 per cent, sent a nervous shudder through foreign exchange and securities markets. But with Britain and France both refusing to follow the German lead, the Bundesbank failed to touch off a generalised increase in European interest rates.

The Bundesbank, at a meeting of its 18-man central bank council, raised its main rate for lending to banks in a determined signal of its desire to damp domestic inflation and monetary growth. But it sought also to mollify its European partners by keeping unchanged its 9.75 per cent Lombard rate, which has a greater impact on money markets than the discount rate.

The only exception to the generally unruffled response was the increase in the Bank of Italy's discount rate to 13.75 per cent from 13 per cent to defend the lira. Belgium and the Netherlands, which closely follow the Bundesbank's moves, decided to make only smaller technical increases in central bank lending rates.

The German discount rate now stands at its highest since September 1981. The continuous rise in German lending rates during the past four years now ranks as the longest in German monetary history.

Currencies within the European Monetary System (EMS) managed to shrug off the Bundesbank increase, while the US dollar and the Japanese yen both lost ground following the decision.

Sterling ended the day one pfennig up against the D-Mark at DM2.8550. The Italian lira also ended the day stronger at L758.7 to the D-Mark after testing L762 at the start of the day.

The dollar lost 2 pfennigs in the immediate aftermath of the Bundesbank announcement, but recovered later on news that Mr Ross Perot was withdrawing from the US presidential race.

The Bundesbank admitted that it had reflected on the pressure from the rest of Europe not to trigger interest rate rises in countries with weaker economies.

"We considered very carefully the impact of this measure on our partners," said Mr Helmut Schlesinger, the Bundesbank's president. "Our measure mainly had domestic targets in mind, namely reducing the rise of the money supply in its present magnitude."

Mr Schlesinger also denied that the Bundesbank was seeking a realignment of currencies in the EMS, saying any initiative was up to its partners.

This year, M3, the broad measure of money supply, has been rising at an annualised rate of about 9 per cent against a target range of between 3.5 and 5.5 per cent.

"The expansion of M3 is too strong," Mr Schlesinger said. By raising the discount rate, the lower of its two key rates, the Bundesbank intends to make it more expensive for commercial banks to obtain central bank funds and thus curb high lending to companies and individuals.

The strong rise in bank lending, much of it to finance investment in eastern Germany, is one of the main reasons for the steep increase in money supply. Since investments in the east are subsidised heavily, past interest rate rises have had less of an impact than they would otherwise have had, Mr Schlesinger said.

"The Bundesbank has had on the brakes for a long time and nothing has happened, so it has raised rates again," said Mr Hermann Remsperger, chief economist at BHF-Bank. "It is more than just a symbolic measure."

Other economists, however, felt the Bundesbank should have waited for expected lower inflation figures to be announced for July – the June rate was an annual 4.3 per cent – which could have lessened pressure for monetary action.

However, Mr Schlesinger repeated that the Bundesbank wanted to bring inflation down to 2 per cent in the medium term.

Although yesterday's discount rate rise did not widen the already yawning differential between US and German short-term rates, it has left the market feeling that an easing of German rates is further off than ever.

Tony Andrews

German economics minister Jurgen Möllemann (second left) arrives by helicopter at the Bundesbank in Frankfurt yesterday

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Industry says Bundesbank move may delay recovery

By Christopher Parkes in Bonn

THE Bundesbank's action yesterday exposed the German economy to the risk of falling investment, slower recovery and increased long-term interest rates, German bankers, industrialists and economists warned.

However, the Bonn government, which routinely supports Bundesbank decisions and is careful to show respect for its independence, gave few clues to its real feelings. Mr Theo Waigel, finance minister, said he expected the discount rate increase would "help to bring monetary growth nearer to the target range *without burdening economic* development in east and west *Germany*".

Others were more outspoken. Mr Klaus Friedrich, soon to take over as chief economist at Dresdner Bank, said the decision was "brave but wrong". He took issue with the anti-inflationary arguments of Mr Helmut Schlesinger, the Bundesbank president. Experts agreed that inflation was heading down in any case, he said, and there was no need for the extra downward pressure which would come from yesterday's interest rates increase.

Mr Willi Leibfritz, chief economic analyst at the respected Ifo economics institute in *Munich*, said he thought the central bank's move might have been less dramatic had economic growth not been so strong in the *first quarter*.

He accepted that the bank's top priority *had to be control of monetary* growth. However, the move represented a risk to recovery. Investment in construction and plant could be hit, demand would be depressed, profits would be reduced and the period of economic weakness could be prolonged, Mr Leibfritz suggested.

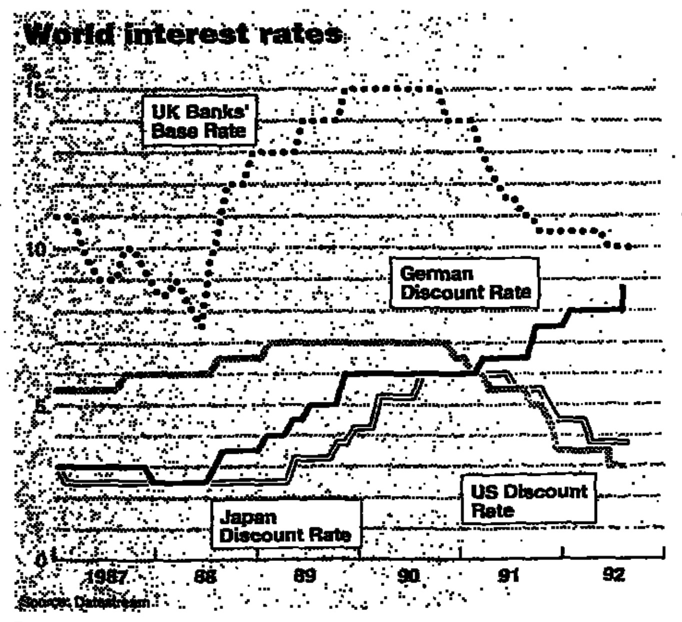
"After last December's discount rate increase long-term interest rates fell, and it is possible the Bundesbank expects a similar effect this time. But I rather *expect long-term rates* could increase a little or at least *not be reduced," he added.*

The BDI federation of German *industries said it doubted that* the rates increase would dampen *monetary growth* quickly. "The measures need time to work," it said. Meanwhile, the risks to Germany's performance should not be underestimated, it said. Economic reconstruction in the east relied on heavy investments.

The ZDH association representing small businesses said its members, with limited if any *access to capital markets*, would be hit hard by inevitable *increases in overdraft charges* and would suffer liquidity problems.

Despite the doubts, all *branches of industry accepted* that the bank had to act. The BDI *said that while there was no ideal* solution, "the considerable overstepping of *money supply* targets demands a clear stability signal".

World interest rates



Perot quits race for White House

By Jurek Martin in New York

THERE WILL NOT be a president Ross Perot or even a candidate Ross Perot. The billionaire businessman from Texas yesterday announced in Dallas that he was abandoning his quixotic independent bid for the White House.

He said he had concluded that if he ran, with the Democratic party now revived, the election in November would not produce an outright winner and would therefore have to be decided early in the new year in the House of Representatives.

The country could not afford that period of uncertainty and any new president was entitled to have the time between the election and the inauguration to form a new government, he said.

Mr Perot endorsed neither President George Bush nor Governor Bill Clinton. He hoped his volunteers would make up their own minds and urged them to continue to register his name on state ballots so the other parties would have ready-made lists of those concerned about the state of the country.

But he said several times that he thought the Democrats had done "a brilliant job" in reviving themselves and that the Bush administration was responsible for a number of severe problems, including the federal deficit. He also appeared to see advantages in a strong president working with a party of the same persuasion in Congress, which is likely to remain under Democratic control after the November elections.

Asked repeatedly at a press conference if this constituted a preference, he said: "I was afraid you'd get that impression." He was endorsing nobody and was going back to work.

Mr Perot's withdrawal came less than a day after the resignation of Mr Ed Rollins, his senior campaign manager, and with the polls showing his popularity plummeting to the point at which the election almost certainly would not have gone to the House for resolution. Mr Clinton and Mr Bush clearly

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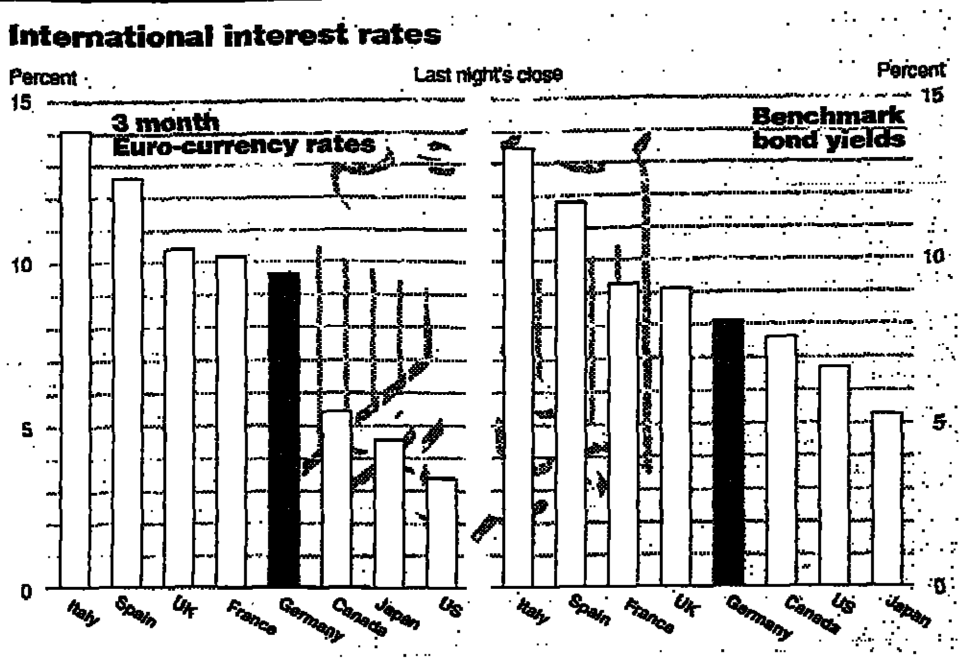
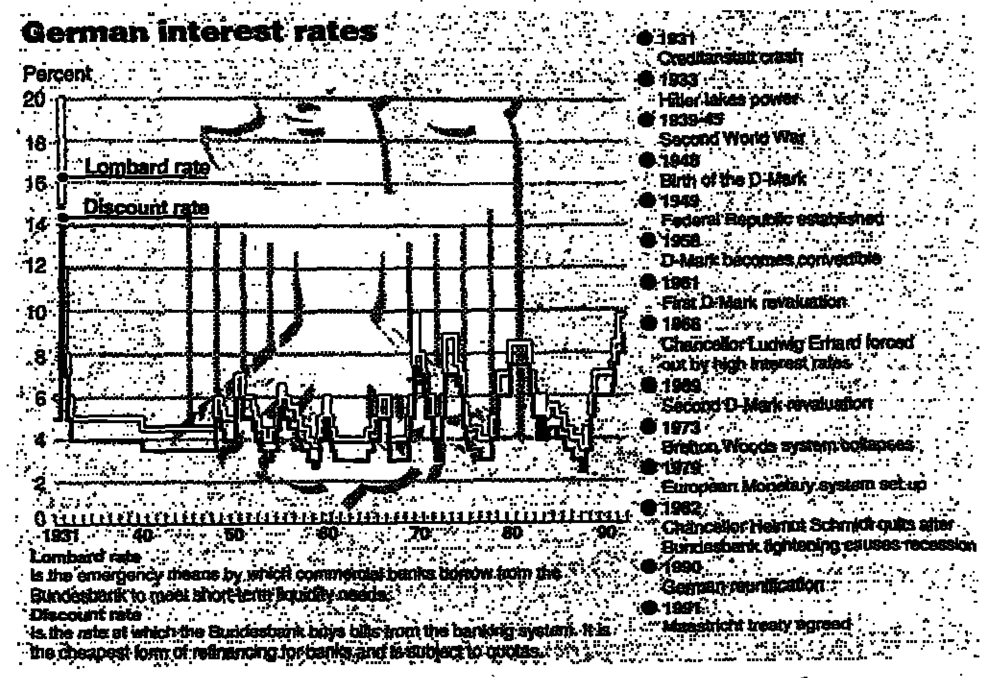


The following is the text of the statement issued by the Bundesbank yesterday (translation by Reuters):

The Central Council of the German Bundesbank, at its meeting today in the presence of Economics Minister Jürgen W Möllemann, conducted a review of the 1992 money supply target and the current situation in monetary policy. It made the following decisions:

The German Bundesbank maintains the money supply goal established in December last year, which envisages an increase in M3 money supply of 3.5 to 5.5 per cent from fourth quarter 1991 to fourth quarter 1992. The assumptions which were the basis of the money supply goal at that time are not essentially different today.

The discount rate of the German Bundesbank will be raised with effect from July 17 from eight per cent to 8.75 per cent. With this measure, the Bundesbank aims to stem price pressures, monetary growth and excessive growth in credit volume and also to strengthen confidence in maintaining the stability of the mark in the currently difficult conditions in united Germany.



Vulnerable sterling wins temporary reprieve

By Peter Norman, Economics Correspondent in London

THE City of London and Whitehall sighed with relief when it became clear that the UK would not have to be stampeded into following yesterday's German discount rate rise.

Although the 0.75 percentage point increase in the German rate exceeded expectations, the Bundesbank's decision to leave its internationally important Lombard rate unchanged at 9.75 per cent meant an absence of market pressure for an increase in British bank base rates from 10 per cent.

The news that average earnings in Britain showed their lowest annual increase for 25 years in May with an underlying rise of 6.5 per cent lent some support to sterling.

The German decision to raise the discount rate was welcomed by the UK government as "clearly preferable" to a Lombard rate increase.

While analysts warned that the pound would be vulnerable to mood swings in the days ahead, the government issued a statement repeating its commitment to take sterling into the narrow band of the European exchange rate mechanism at the existing DM2.95 EMS central rate. Officials made clear that the government would stick by this pledge in the unlikely event of Germany revaluing the D-Mark. Whitehall officials were also insisting that Britain would set interest rates at whatever level was necessary to keep sterling in the ERM.

The pound, which dipped immediately after the Bundesbank's decision, recovered in London to finish at DM2.8550, up 1 pfennig from Wednesday's close. Money market rates in London eased slightly: the three-month interbank rate, which usually acts as the bellwether for base rates, dipped to around 10⅛ per cent, from 10$\frac{3}{16}$ per cent the day before.

However, the London equity market fell prey to doubts as the conviction grew that there could be no reduction in German – and hence British – interest rates this year. As on the French bourse, operators expressed concern that the Bundesbank may have to take tougher action in the future to curb Germany's strong money supply growth. The FTSE-100 index finished three lower at 2,483.4.

Events in Frankfurt overshadowed unexpectedly good UK labour market statistics. The 7,000 increase to 2.72m in seasonally adjusted unemployment in June was the smallest for two years. Although economists expect the rate of increase will be higher this month, longer term trends suggest that the growth of unemployment is slowing.

The slowdown in average earnings growth to 6.5 per cent in May from 7 per cent in April points to lower inflation ahead. Mr Kevin Gardiner, UK economist of Warburg Securities, said research by Warburgs and Income Data Services, the pay information group, suggested that average UK private-sector wage settlements have fallen below 4 per cent this month.

Mr Michael Saunders, UK economist for Salomon Brothers, said retail price inflation could fall to 2 per cent in the second half of 1993.

US hopes for a domestic recovery set back

By George Graham in Washington and Patrick Harverson in New York

THE Bundesbank move comes as a severe disappointment to the US administration, which has based its own hopes of a domestic economic recovery largely on a policy of pressing the Federal Reserve to make repeated cuts in its discount rate.

Mr Nicholas Brady, US treasury secretary, has tried for some time to urge his opposite numbers in the Group of Seven leading industrial nations for a more concerted effort to boost world economic growth, and claimed some success in this direction at the Munich economic summit this month.

The Munich agreement, however, relied heavily on the premise that Germany's promise to rein in its budget deficit would pave the way for interest rate cuts.

Senior Treasury officials have until now been careful not to blame the Bundesbank for Germany's relatively high interest rates, criticising instead the German federal budget deficit and heavy borrowing by quasi-governmental organisations such as the state railway and telecommunications companies.

Although yesterday's German move was not unexpected on Wall Street, economists and foreign exchange analysts said it would put the already shaky dollar under further pressure.

Mr Steve Giovanis, a forex dealer with Merrill Lynch, said during a midday break from hectic trading: "It feels as though short-term the pressure is not off [the dollar], particularly with these other rate increases in Europe today. The rate differentials just continue to be enormous" – referring to the gap between the 3.25 per cent yield on US short-term Treasury bills and the near-10 per cent yield on comparable German securities.

The latest German rate increase could not have happened at a worse time for the dollar, coming barely two weeks after the Fed slashed domestic interest rates to stimulate an ailing economic recovery.

Economists said there was little the Fed could do over the short term to protect the dollar, except to try to hold it up through intervention in the foreign exchange markets. Mr Joe Taylor, foreign exchange analyst with Technical Data in Boston, said: "The Fed is certainly in no position to tighten [monetary policy] given the politically sensitive time period we're in and the state of the economy."

Mr Taylor warned that the dollar could fall further against the D-Mark over the next few days and weeks, testing its most recent low against the German currency of DM1.44.

Italy squeezes credit to defend currency

By Robert Graham in Rome

ITALY was forced into an even tighter credit squeeze last night after the Bank of Italy reacted immediately to the German discount rate rise.

The bank signalled its determination to defend the lira by raising the official discount rate from 13 per cent to 13.75 per cent in swift reaction to the Bundesbank's move.

At the same time the bank's short-term interest rates on funds advanced to commercial banks were also increased by 0.75 percentage points, to 15.25 per cent. The rates will add to the already high cost of servicing Italy's debt and put further pressure on the delicate financial state of many industrial companies.

The bank's signal to the markets relieved pressure on the lira, which ended the day at L758.35 against the D-Mark, marginally below Wednesday's close. But at one stage, before the Bundesbank decision was known, the lira was being traded at the record floor level of L761.25 against the German currency. This compares with the L765 permitted against the D-Mark within the European exchange rate mechanism.

This has been the third time in 45 days that the Bank of Italy has raised the official discount rate, as the lira has come under pressure from speculators concerned about the country's deteriorating public finances.

The bank has also been obliged to intervene by buying D-Marks. Interest rates in Italy are now at their highest levels since 1986.

It is also the second time in almost seven months that the Italian central bank has been obliged to react to German interest rate increases. However, last December the bank waited three working days before countering the German central bank's move.

Although reluctant to heighten the credit squeeze in an economy showing timid signs of emerging from recession, the Bank of Italy has consistently stuck by its policy of exchange rate stability. In the 12 months to May Italy's foreign currency reserves have dropped from L58,692bn to L34,057bn, a sizeable part drained by defence of the currency. In addition, in the run up to the April general elections about L2,000bn worth of gold was sold.

Unofficial estimates suggest that every percentage point increase in the discount rate raises the cost of servicing Italy's debt stock by L13,000bn in a year. If current rates are sustained, this is likely to have an impact on the budgetary needs which were redefined only last Friday in an emergency budget generating an extra L30,000bn in fresh revenues and expenditure cuts.

A spokesman for Confcommercio, the traders' association, warned last night of the dangers to business. "This means money will cost us between 17 and 21 per cent, which in turn means the country is moving down a slope to recession which will be difficult to resolve."

He added that the credit squeeze threatened to kill many small enterprises.


Tony Andrews

Helmut Schlesinger, president of the Bundesbank: fourth tightening move since unification in October 1990

Economists say France will still grow by 2%

By William Dawkins in Paris

FRENCH business confidence will be hit by the rise in the Bundesbank's discount rate, but the economy will stay on course for 2 per cent GDP growth this year, up from 1.2 per cent in 1991, economists said.

Mr Michel Sapin, finance minister, and Mr Jacques de Larosière, central bank governor, yesterday faced the rate rise with grim calm and stressed that French monetary policy would remain unchanged.

Earlier in the week, Mr Sapin put pressure on Bonn to lower rates. French employers say they see no hope for an interest rate fall for several months, something they need to stimulate investment. "Our investment situation is not good and this will make it worse," a Patronat employers' organisation official said.

Investment in French manufacturing industry fell by 7 per cent last year and is set to decline 8 per cent in 1992, Insée, the state statistics institute, said.

This reflects the fact France already has among the highest real borrowing costs in Europe, with a bank base rate of 9.85 per cent and annual inflation at 3 per cent.

But companies can take some comfort from the fact that the Banque de France is unlikely to raise its rates in response, because German discount rate increases have little or no effect on market rates.

"The franc has been well within its EMS fluctuation margin in recent weeks, so I don't expect an increase in French rates," said Mr Jean-Michel Charpin, chief economist at Banque Nationale de Paris. "It would be useful to drop rates, but that is no longer possible. So we expect continuation of an already gloomy economic situation."

"I see no reason for the Banque de France to act now, though it will not hesitate to raise rates if it sees the franc weakening," Mr Jean-Francois Mercier, economist at Salomon Brothers in London, said. The D-Mark rose slightly in Paris after the announcement to FFr3.38, but fell back towards the end of the day to FFr3.37.

The German move was likely to hit French equity and bond markets, Mr Christopher Potts of Banque Indosuez, predicted. "Europe will have to live painfully for a few more months with high German interest rates."

The French CAC-40 stock market index fell slightly, on the announcement, partially recovering to end the day down 0.11 per cent at 1,851.23.

Symbolic increase by central bank

By Andrew Fisher

THE Bundesbank tightened the monetary screw a little more yesterday, but argued that it had taken care to avoid drawing howls of pain from the rest of Europe while seeking to reduce inflationary pressures in Germany. Only time will tell whether it succeeds.

As expected, the 18-man central bank council made no change in the Lombard rate of 9.75 per cent, which sets the ceiling for money market rates. An increase in this rate would have upset financial markets and put pressure on other countries to follow suit.

Instead, it raised the cost of commercial banks' refinancing to reduce credit flow to companies and individuals by making it more expensive. This, too, was expected in the form of a rise in the discount rate, but the Bundesbank maintained its capacity for surprise by moving this up by 0.75 percentage points to 8.75 per cent, its highest since 1931.

"We thought the Bundesbank would do something symbolic," said Mr Dieter Wermuth, managing director of Caisse des Dépôts et Consignations' Frankfurt subsidiary. "This is more or less symbolic".

Mr Hermann Remsperger, chief economist of BHF-Bank, went a little further. "It was another pinprick to emphasise the Bundesbank's restrictive policy". "We were seeking a solution appropriate for the domestic situation and which tries to avoid any complications for our partner countries". He gave no indication the council had been split by the desire to tighten policy further and avoid monetary overkill.

There was another modest surprise, in that the bank did not restrict access to its funds to reinforce the interest rate move. The bank reaffirmed its money supply target of 3.5-5.5 per cent for M3, which has been growing at an annual rate of some 9 per cent.

Mr Schlesinger again stressed the Bundesbank's anxiety that inflation, recently above 4 per cent, was too high. Its medium-term goal, incorporated into the M3 target, is 2 per cent. He said money supply could not be allowed to continue expanding at recent rates in view of the inflationary pressures which could be exacerbated by next January's one percentage point rise in value-added tax.

He was unhappy also about price trends in east Germany, where inflation was around 6.5 per cent (excluding rises in rents from subsidised levels under the old regime). Building prices in the east, where economic reconstruction is getting under way, were some 20 per cent above those in the west.

Nor did he like the public sector wage deal which will put east German pay at 80 per cent of the west German level in mid-1993. It is the costs of rebuilding the east German economy that have led to the Bundesbank's problems. But while Mr Schlesinger was pleased at the Bonn government's efforts to curb the budget deficit, he was less happy at the continued spending plans of the regional states, local authorities, and social security bodies.

The main problem from unification for M3 has been the rush of lending to finance investments in the east. This is beneficial in broad economic terms. But because corporate investments in east Germany are subsidised, roughly a sixth of all German bank lending to companies and private persons is highly insensitive to interest rate moves. This means rates have to be even higher to affect bank lending, which has risen at an annual 11.5 per cent this year.

Bundesbank serves notice that stability of its own currency remains priority

Europeans impeded by policies 'made in Frankfurt'

By David Marsh, European Editor

UNITED Germany's policies on European integration, according to government statements in recent years, have always been aimed at producing "a European Germany, not a German Europe".

Those words, immortalised by author Thomas Mann, must be ringing hollow in the ears of European finance ministers as they ponder the impact of yesterday's fourth Bundesbank tightening move since unification in October 1990.

Once again, the Bundesbank has served notice that its priority remains the stability of its own currency – not that of any other European country.

This has important implications for the Maastricht timetable for European economic and monetary union (Emu). The German central bank's conviction is that European monetary affairs will be best looked after if they are kept securely in German hands. The Bundesbank cannot, however, spell this out in public.

Yesterday's action thus serves several interlocking purposes. Any move to cut German inflation can be billed – as Mr Hans Tietmeyer, the Bundesbank's vice-president put it yesterday – as Germany's "contribution" to the Maastricht process.

The Bundesbank can correctly point out that it stopped short of taking the more drastic interest rate step – an increase in the Lombard rate – which would have looked like an all-out assault on Maastricht.

But the Bundesbank can also take comfort from the likelihood that yesterday's discount rate increase, on balance, will impede fulfilment of the Maastricht goals.

Several countries, led by Britain and France, are trying not to follow the German move upwards. But yesterday's increase sets a firm floor under European interest rates. Just at a time when most countries had hoped, through easier credit, to develop the rhythm for economic recovery, they find themselves dancing to an austere German tune.

Pursuing interest rate policies marked "made in Frankfurt" is a political irritant for most of Germany's neighbours. However, France, in particular, has always thought that the effort would be worthwhile if, through improved monetary co-operation, Emu were brought closer.

France's objective, under successive governments in Paris, is to manoeuvre the Germans into a position where they will one day have to give up the D-Mark and hand over European monetary supremacy to a European central bank. Mr Jacques Delors, the EC Commission president, calls the process "sharing" monetary power.

Unfortunately, yesterday's action, by adding to the factors delaying any firm European economic recovery, compounds the question marks over the Maastricht plan of achieving Emu by 1999.

The probability that individual countries will reduce fiscal deficits – a firm condition of the Maastricht process – will be heavily reduced if, as seems likely, Europe remains stuck in a period of slow growth. This means that Germany's partners – including Britain, even though it is not formally signed up to Emu – may during the next few years be getting the worst of all worlds.

Unless Britain and France can persuade the foreign exchange markets that they can safely cut interest rates below German levels, Bonn's EC partners will continue to suffer from high German interest rates in Germany.

At the same time, because of the deflationary impact of high European interest rates, achieving the political goals behind the Emu process may become more difficult.

Mr Brendan Brown, chief economist at Mitsubishi Finance in London, points out that "to get anywhere on the deficit targets [under Maastricht], Britain and Italy in particular need to have high economic growth". Their best chance of achieving this, he says, is by improving export competitiveness through a realignment in the European Monetary System.

For the moment, all EC countries are ruling out this step. This could quickly change, Mr Brown believes, if the Italian lira, despite yesterday's interest rate increase in Rome, is forced closer to its EMS floor against the D-Mark.

EUROPE

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UK warns Serbia of action on war crimes

By Ralph Atkins

BRITAIN signalled yesterday that it may press for international action to investigate allegations of possible war crimes committed by Serbs against Moslems in Bosnia-Hercegovina.

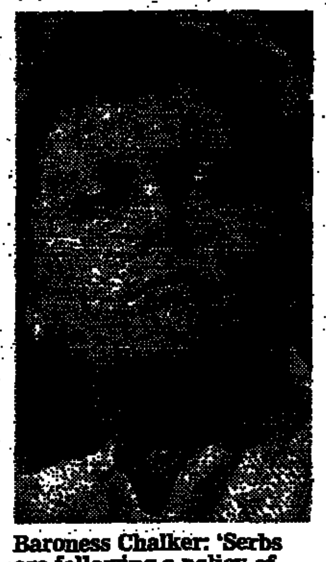
Baroness Chalker, overseas development minister, said abuse against Moslems was "obviously a war crime under the terms of the Geneva Conventions, and we give due warning that is so".

She added: "The Serbs are following a systematic policy of 'ethnic cleansing' and that has to be dealt with by the international community."

Downing Street officials said there was sufficient *prima facie* evidence of torture and indiscriminate killing of civilians to justify an investigation, possibly under United Nations' auspices.

However, the Foreign Office said last night that it was unclear whether external countries could have jurisdiction over atrocities committed in another country's internal conflict.

Baroness Chalker was speaking after a meeting in London between Mr John Major, the UK prime minister, and Mrs Sadako Ogata, UN high commissioner for refugees, to discuss Britain's contribution to humanitarian aid for Yugoslavia.



Baroness Chalker: 'Serbs are following a policy of ethnic cleansing'

Mrs Ogata told the prime minister that she regarded the refugee problem in Yugoslavia as the worst in Europe since the Second World War.

Britain has sent medical staff to Yugoslavia at a cost of £25m. Mr Major promised he would use Britain's presidency of the European Community to persuade other member states to attend a conference on refugees and other humanitarian issues, called by Mrs Ogata in Geneva on July 29.

The conference is also likely to be used to press for international action to stop breaches of the Geneva Conventions.

Mr Major is also to write to other heads of government to highlight the scale of abuse in Yugoslavia.

Baroness Chalker said reports from Mrs Ogata and from UK officials in the region told of "the purposeful pinpointing" of Moslems in Bosnia-Herzegovina.

"Their houses are shot up at night to threaten them to leave the following morning, and, when these Moslems have left, the houses are then set on fire from the inside," said Baroness Chalker.

"I don't believe people know how bad it is."

Last night Mr Major was due to meet Lord Carrington, chairman of the EC-sponsored peace talks.

Russian central bank chairman quits

By John Lloyd and Dmitry Volkov in Moscow

MR Georgy Matiukhin, chairman of the Russian central bank, resigned yesterday after it became clear he had lost the support of both government and parliament.

The departure of Mr Matiukhin, who was criticised by the increasingly powerful industrial lobby for his tight rein on credit, came as the Russian parliament voted to cut VAT, the main source of government revenue.

The rate will come down from 28 per cent to 20 per cent from January 1, and to 15 per cent immediately on some "socially necessary" goods, mainly basic foodstuffs.

Parliament also began amending the government's budget, agreeing a huge list of costed and costly changes which early yesterday evening amounted to a rise in the projected deficit to Rbs1.5 trillion, with more expected to come.

The effect of the developments is further to weaken the government's hold over the budget deficit and rapidly-growing credits to industry. The VAT decision was a compromise with the government which wanted no cut. Mr Yegor Gaidar, the acting prime minister, warned that other taxes would have to rise.

Mr Matiukhin's most likely replacement, according to government and parliament officials yesterday, is Mr Victor Gerashchenko, former chairman of the Soviet Central Bank, Gosbank.

Mr Gerashchenko was on a shortlist for the job in June when Mr Matiukhin's previous request to resign was turned down by the Russian parliament. He now seems to have emerged as the front runner.

If Mr Gerashchenko succeeds to the hottest central bank chair in the world, it will be an extraordinary comeback for a man who was himself dismissed from his Gosbank post, after the August coup, by Mr Boris Yeltsin, the Russian president, for alleged complicity.

He has been criticised by Russian radicals for alleged complicity in concealing Communist Party funds and in propping up the old regime.

The end of Mr Matiukhin must be seen as a further victory for the industrialists' lobby, who have a strong showing in the cabinet. In the end, the government withdrew support and let him fall, with only 15 voting against accepting his resignation to 151 for.

Mr Konstantin Borovoi, president of the new Party of Economic Freedom and a leading Russian businessmen, said yesterday that the holding of people, often on sentences of 15 years or more for behaviour considered normal in market economies, was "absurd" when Russia was attempting to attract foreign partners, writes John Lloyd.

Some 127,000 people convicted of "economic crimes," many of which are no longer classified as illegal, are being held in prisons in the former Soviet Union. In some cases, people are still being sentenced under extant Soviet-period legislation for "speculation" (selling) and other "crimes." Mr Borovoi's party has demanded an amnesty for the "economic criminals" – so far without success.

Ukraine opposition seeks referendum on new poll

By Anthony Robinson in Kiev

UKRAINE's leading opposition politicians yesterday called for a referendum to bring about new parliamentary elections and remove the communist-dominated government.

Mr Vycheslav Chornovil, leader of Rukh, the democratic nationalist movement which led the struggle for Ukrainian independence, attacked the government of Mr Vitold Fokin. The recent appointment of Mr Valentin Simonenko as the government's economics supremo was a victory for "the old communist mafia," he said.

For early elections to take place the law requires the collection of at least 3m votes in a referendum. Setting the referendum machinery in motion would put pressure on the government and force the opposition to become more effective even if it failed to win the required 3m votes, Mr Chornovil added.

Mr Simonenko, a former construction manager, Communist party first secretary and mayor of Odessa, Ukraine's biggest port on the Black Sea, was appointed to replace Mr Vladimir Lanovoi, a young economist who has worked closely with the International Monetary Fund, World Bank and other foreign advisers. The change, made by President Leonid Kravchuk only hours after parliament adjourned for the summer holidays last week, has called into question the government's commitment to rapid privatisation and other market-oriented economic reforms.

It reinforces the ranks of former communists surrounding Mr Kravchuk, himself a former party ideology secretary.

Mr Simonenko said he would unify financial, economic and monetary policy under his control. "I am completely against the idea of aid from the west but fully support mutually beneficial foreign investment and co-operation," he said.

Critics say the government, headed by Mr Vitold Fokin, another veteran communist, has hardly changed the old communist bureaucratic structures, but merely wrapped them in the Ukrainian national flag. However, an expected vote of no confidence has been postponed until parliament reassembles in the autumn.

Bosnian Serbs' leader orders end to shelling

Judy Dempsey *reports on diplomatic moves in London*

MR Radovan Karadzic, the leader of Bosnia's Serbs, yesterday ordered his forces to stop bombarding the eastern Bosnian city of Gorazde as European Community-sponsored peace talks appeared powerless to bring about a ceasefire in the republic.

EC diplomats in London said Serb irregulars had been besieging Gorazde, a town of 37,000 inhabitants, of which 70 per cent are Moslem, as part of a plan to "ethnically cleanse" the region and eventually annex eastern Bosnia to Serbia.

Despite the differences and the fact that all three sides did not meet one another, Mr José Cutileiro, the EC mediator, said: "I am not that pessimistic."

Mr Karadzic denied Serb forces were involved in deportations, expulsions and killings, despite numerous eye-witness accounts.

"What we want is a Bosnia-Hercegovina which is based on three constituent states. With this in mind, we support the current EC negotiations," he said in an interview.

These three ethnic states would consist of Moslem, Serb and Croat regions, he added. The Serbs account for a third of Bosnians, but with the support of the former Yugoslav army, they have seized two-thirds of Bosnia-Hercegovina.

Mr Haris Silajdzic, Bosnia's foreign minister, said he wanted a unitary state, adding that the division of Bosnia-Hercegovina along ethnic lines would fail to take into account mixed marriages, as well as those who perceived themselves to be Bosnian.

"What Serb extremists are doing in Bosnia today is what the Nazis did in world war two. Identity and ethnicity are being imposed on innocent civilians," he said.

Bosnia's Moslems, who make up 44 per cent of the 4.3m-strong population, had earlier in the week put forward a peace plan offering equal shares of cabinet posts to the other two ethnic communities. It was rejected by Mr Karadzic and Mr Boban.

In an open letter to Lord Carrington and Mr Cutileiro, Mr Silajdzic asked the EC to stop the flow of weapons into Bosnia from neighbouring Serbia and Montenegro.

"It is the Serb extremists who hold the weapons and continue the war. It is the Serb extremists who are in a position to stop the killing. All heavy weaponry and artillery should be placed under international control as a precondition for constitutional negotiations," he said.

Mr Karadzic said he had no preconditions for peace talks, but agreed with the plan to place weapons under international supervision.

Mr Mate Boban, head of Bosnia's Croats and a close ally of Croatian President Franjo Tudjman, said he would support the EC Lisbon plan of March 9 which stipulated that Bosnia would be composed of several national units, but that the current borders of the republic would remain intact.

However, EC diplomats in London said Croatia and Serbia were working on dividing Bosnia-Hercegovina between them, as witness the recent declaration of a Croatian-run state within a state in western Hercegovina.

Mr Silajdzic yesterday said Mr Boban and Mr Karadzic had met in early July in the Bosnian capital of Sarajevo, where the Serbs agreed to recognise the Croatian region of Herceg-Bosnia, with a possible link to Zagreb. In return, Mr Boban had promised not to interfere in northern Bosnia, and called for large population shifts aimed at creating "ethnically clean" areas.

Both Mr Karadzic and Mr Boban denied meeting each other.

Greek power deal may violate trade sanctions

By Kerin Hope in Athens

GREEK purchases of electricity from Bosnia-Hercegovina have come under US scrutiny as a possible violation of the UN-led international embargo on trade with Serbia.

According to the state-owned Public Power Corporation, Greece receives up to 200 MW of electricity daily, mainly in peak consumption hours, from a power station at Trebisnyica in Hercegovina.

The power is transferred to Greece through the Serbian and Macedonian grids.

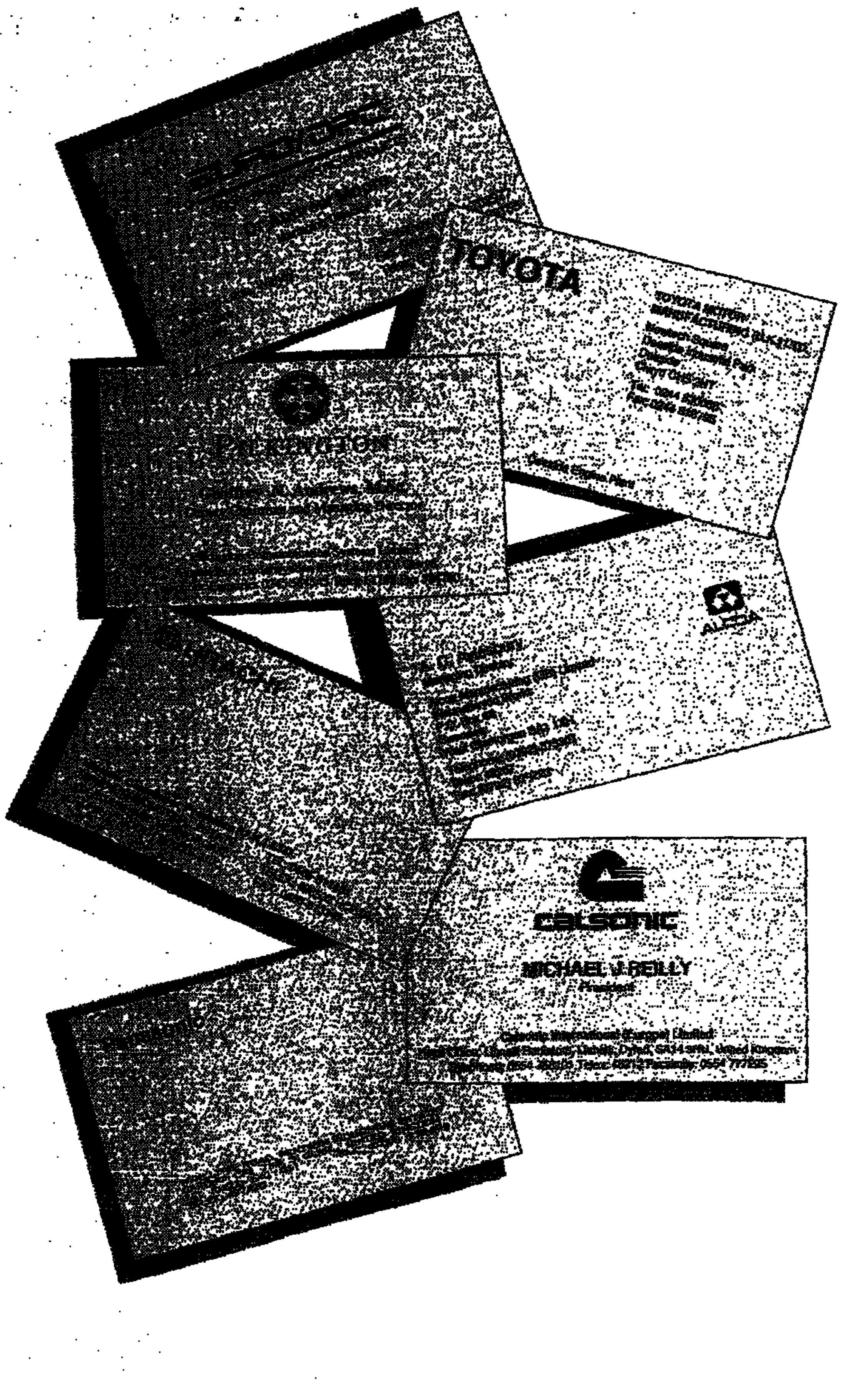
The PPC is liable for transport charges of over $20,000 monthly for use of the Serbian grid, payable to Belgrade.

The US embassy in Athens has asked for clarification of the arrangement on the grounds that it could amount to sanctions-breaking by Greece, according to foreign ministry officials. The Greek view is that power supplies should not be affected by the embargo since international transit traffic across Serbia is still permitted.

● President Ion Iliescu yesterday fended off press allegations that Romania had broken the embargo on Yugoslavia, by saying his country did not have total control over River Danube traffic in its domain, Reuter reports from Bucharest.

"We can control only what is on Romanian territory and loading points in Romanian ports," he said.

Several Western news agencies have reported recently that Romania was breaking the UN embargo by allowing oil and other commodities to slip into Yugoslavia along the river.



Botha opens the way for UN observers

By Michael Holman in Johannesburg

MR Pik Botha, the South African foreign minister, yesterday renewed his government's call to the African National Congress (ANC) to take part in talks aimed at ending political violence, and opened the way for a United Nations observer mission to South Africa.

Mr Botha, in an address broadcast live on South African television, told the UN security council that the government was "prepared to consider" a role for the international community "in an observer or other acceptable capacity", working alongside a monitoring group which would include the ANC and Chief Mangosuthtu Buthelezi's Inkatha Freedom Party (IFP).

Mr Botha did not elaborate on the proposal, hinted at earlier this month by President F W de Klerk.

Nor did he make any reference to the likelihood that the security council will end the two-day debate on South Africa with agreement to send a special UN envoy on a fact-finding mission to Pretoria. It seems clear that South Africa will raise no objection to such a visit.

However, the speech in which Mr Botha vigorously defended the government's record since the release of Mr Nelson Mandela, the ANC leader, in February 1990 and rebutted allegations of state complicity in political violence, broke no new ground.

There was no immediate reaction from the ANC, but political observers last night doubted that the stalemate in the country's constitutional talks had yet been broken.

Most observers doubt that a formal resumption of negotiations could begin before a UN envoy has reported back to the security council.

Mr Botha said that the government had nothing to gain from the violence that led to last month's decision by the ANC to suspend talks: "We urge the council to accept that the (ruling) National Party is no longer a white party. We offer a political home to every South African that subscribes to our principles."

Mr Botha struck a generally conciliatory note, drawing a parallel between the 300-year history of the Afrikaaner in Africa and the community's search for "freedom" with other nationalist movements on the continent.

The Anglo-Boer war, he said, was "Africa's first liberation war and the Afrikaaners' was the first liberation movement". He went on to express regret for apartheid: "Now with benefit of hindsight it is clear that the dream could not last when robbed of all morality."

"In a sense whites became apartheid's victims . . . we failed to realise we could not truly be free until Africans shared that freedom with us."

But Mr Botha continued the government's efforts to drive a wedge between the ANC and the South African Communist Party, challenging Mr Mandela to reveal the names of Communist Party members in the ANC ranks: "Why keep it secret?"

Lagos jet purchase puts IMF accord at risk

By Julian Ozanne recently in Lagos

NIGERIA is due to take delivery of 12 Czechoslovakian fighter jet trainers in a secret deal which could jeopardise efforts to renew a standby agreement with the International Monetary Fund (IMF).

Negotiations on the IMF agreement, a precondition to further rescheduling of Nigeria's $30bn (£15.7bn) external debt, are stalled. The main hurdle is government overspending, including defence outlays, which resulted in a fiscal deficit last year of 35bn naira (£1bn).

Without a rescheduling arrangement, Nigeria will be unable to pay debt service obligations this year of more than $5bn from forecast export earnings of $9bn-10bn.

The purchase of the 12 Aero L-39 Albatros trainers is believed to be part of a larger order, made last year, for 30 L-39s. Defence experts say the deal is worth more than $90m. Diplomats believe that part of the payment will be in crude oil. The military government of President Ibrahim Babangida, scheduled to hand over power to a civilian administration at the end of this year, is taking delivery of a second controversial arms order.

The first batch of an order for 80 British Vickers Mark 3 tanks, worth more than $225m, has arrived at Lagos port. Nigeria already has over 70 Mark 3 tanks.

Western donors say the two defence deals are part of a web of extra-budgetary spending which has undermined the country's economic reform programme. Last year, in a confidential report, the World Bank strongly criticised the lack of accountability and transparency in public spending programes, and questioned the accuracy of figures for oil export earnings.

Defence experts say the Czech order makes no strategic sense. The country faces little external threat, and the priority should be maintenance of the existing sizeable air force fleet. The fleet includes 23 Russian MiG 21s, 15 British Jaguars, 21 German Alphajets, and 12 Italian Aeromacchi MB339s. Most are grounded for lack of spare parts and because of inadequate servicing. Many of the aircraft in the air force's transporter fleet are also grounded.

"The deals make no sense when you look at the military's maintenance needs," said one defence expert.

"But the big boys always choose to buy new machines because there is a bigger opportunity for graft."

India's newly-elected President Shankar Dayal Sharma (left) at his residence yesterday with Prime Minister Narasimha Rao

UN move to end deadlock in Iraq

By Mark Nicholson, Middle East Correspondent

A SECOND senior United Nations envoy will arrive in Baghdad today to bolster efforts to break a 12-day deadlock involving UN weapons inspectors and the Iraqi authorities.

Mr Rolf Ekeus, executive chairman of the UN special commission charged with overseeing the destruction of Iraq's weapons of mass destruction, will fly to the Iraqi capital to join Mr Douglas Englund, head of UN field operations, to persuade the Iraqi government to allow inspectors to enter an agriculture ministry building.

However, Iraq's official press yesterday stepped up its condemnation of the UN inspectors, who are seeking documents in the building believed to detail parts of Iraq's chemical weapons programme.

The state-run al-Jumhouriyah newspaper accused Mr Englund of "empty haughtiness", while other government papers called the UN inspectors "deviants".

Iraqi officials say nothing related to its weapons programme lies in the agriculture ministry building and that a search by UN chemical weapons inspectors would insult the Baghdad government and breach Iraq's sovereignty.

The US state department on Wednesday warned Iraq that failure to comply with the UN demands would threaten the Gulf war ceasefire resolutions, which established the special commission into Iraq's weapons of mass destruction.

However, Iraq has insisted that it will not permit the UN team entry the building – a limitation on inspectors' freedom to operate in Iraq which UN officials say would set a precedent potentially fatal to the whole task of monitoring Iraq's weapons programmes.

Iraq's increasingly belligerent defiance of the inspectors, who have maintained an unbroken vigil outside the gates of the agriculture ministry, is the latest in a growing number of rebuffs to the UN.

Earlier this week Iraq also rejected the terms for a possible limited sale of crude oil outlined during talks in Vienna last month.

Zimbabwe faces liquidity crisis

By Tony Hawkins in Harare

ZIMBABWE is facing a serious money market liquidity crisis following the Reserve (central) Bank of Zimbabwe's decision to close its rediscount window, refusing to accommodate the market except at penal overnight rates of interest.

The sudden tightening of monetary policy, which took effect at the end of June, follows a reported agreement between Zimbabwe and the International Monetary Fund for an enhanced structural adjustment facility (ESAF). One of the terms of the agreement is understood to be that Zimbabwe maintains positive real interest rates, which, with inflation in May of 36.5 per cent, implies a marked increase in bank lending rates.

Money market sources said the Reserve Bank tighted its monetary stance when it failed to meet IMF benchmarks on June 30, and was given until July 15 to bring credit creation levels down to those stipulated by the Fund.

The central bank's move was prompted also by the publication of a surprising set of monetary aggregates showing that money supply rose 34 per cent in the year to May, which came as a shock after a marked slowdown earlier in the year.

Banks are warning that if the government's tight monetary policy is maintained there will be some large corporate collapses

In April the broad (M2) measure of money was growing at an annual rate of only 20 per cent.

The money supply figures were a surprise because the rate of bank lending had slowed in recent months. Between May and December last year total bank lending, including that by the finance houses, rose more than 53 per cent to Z$6.85bn (£730m), but in the first five months of 1992, lending was up less than 8 per cent to Z$7.4bn. Last week the Reserve Bank pushed its rediscount rate to 30 per cent from 25 per cent – the second such five-point increase in the past three months – while the rate for 90-day money (Negotiable Certificates of Deposit) surged to 38 per cent.

Despite the authorities' clear intention of pushing up rates to meet the IMF's demands and also to curb inflation, some banks are urging the authorities to ease monetary policy, warning that if the tight money policy is maintained, there will be some large corporate collapses.

The central bank has responded by asking the banks to use their US$140m (£73.2m) lines of offshore credit, available for pre-shipment financing of tobacco exports, and also to draw on their soft loan facilities of US$80m provided to help agriculture recover from drought. But the banks say that this will not be adequate and warn of a serious crisis in weeks unless policy is eased.

The liquidity crisis comes at a most unwelcome time for the government, which cannot afford to back down on monetary policy, ahead of a crucial budget to be presented by the finance minister, Mr Bernard Chidzero, on July 30.

Mr Chidzero is also committed, in terms of the ESAF deal with the Fund, to cut public spending by no less than 6 percentage points of GDP, or approximately US$400m.

Italy's Efim may fold as board quits

By Robert Graham in Rome

THE board of Efim, the debt-ridden Italian state industrial holding, resigned yesterday, foreshadowing an imminent winding-up of the entity.

Efim, which controls more than 100 companies with activities ranging from aluminium, defence and transport to glass and health spas, has accumulated losses of more than L4,000bn (£1.8bn) and debts of L8,500bn against a turnover of L4,660bn. Its fate has been in the balance for a long time and earlier this year the public audit office called for the board to be replaced because of repeated losses.

The holding was founded in 1947 to finance the development of private and public sector industry but has ended up as a hospital for loss-making businesses employing 37,000 people. The worst business is aluminium. Alumix, which accounts for a quarter of total debt, is the heaviest loss-maker; but other loss-makers include its glass division, Siv, with 30 per cent of Europe's automotive glass sales.

Efim possesses good advanced technology and makes profits in its rolling stock and mass transit division (Breda). It also has important defence interests – via Oto Melara, and helicopters through Augusta. Although Augusta has 7 per cent of the market for civilian light helicopters and 5 per cent of the military in this field, the company is strapped for cash, has large stocks and owes L2,000bn to the banks.

Brussels brings competition to Barcelona Olympics

THE European Commission yesterday claimed it had instilled the true spirit of competition into the Barcelona games by persuading the Barcelona Olympics committee to change its ticket distribution policy just 10 days before the opening ceremony, writes Andrew Hill in Brussels.

Sir Leon Brittan – the EC's competition commissioner and now, apparently, champion of the Olympics spectator – is also looking at ways of opening television coverage of the games to greater competition.

The committee has modified its ticketing arrangements to allow the sought-after tickets to move freely across Community frontiers. Usually, the Olympic committees appoint an exclusive ticket distributor in each country.

Once the national quota of tickets is used up, individuals or travel agents who want to buy tickets are forbidden from buying tickets from alternative sources in other countries.

Now the rules have been amended, EC sports fans will be able to buy tickets direct from the Olympic committee or from agents in other member states.

With less than 10 days to go until the Barcelona games start, it is not clear how many tickets remain unsold anywhere in the Community. But as cynical Brussels observers quickly pointed out, the move has awarded the Commission – which has also co-ordinated EC sponsorship of the Olympics – a welcome propaganda prize.

Sir Leon may have more of a struggle when it comes to opening up television coverage of the games.

The rights to broadcast the Olympics have been bought by the European Broadcasting Union (EBU), which groups Europe's public service broadcasters.

The Commission wants the EBU – and Eurosport, a channel backed by a group of EBU members – to give Screensport, a rival European satellite sports channel, fair access to Olympics coverage.

Spanish ban means Nike can't just do it

Peter Bruce on a trade mark ruling that prevents advertising and sales by the biggest sportswear group

A SPANISH Supreme court decision to uphold a ban on the advertising and sale of sportswear in Spain by the US market leader Nike to protect a Spanish claimant to the Nike name is embarrassing Madrid just eight days before the Olympic Games start in Barcelona.

For a time last week it was feared the courts might even use police to prevent the US athletic team, which is being sponsored by Nike, from entering the Montjuic stadium in Barcelona for the inaugural ceremony on July 25 if they were wearing the Nike flash.

With Madrid under pressure from the US and the European Commission, the Barcelona judge who ordered the ban found a novel way around the problem – the athletes could wear their Nike uniforms as they would not have been bought in Spain.

The ban has, of course, infuriated Nike, the world's biggest sportswear company with global sales last year of $3.4bn. Nike (slogan: "Just do it") has been engaged in a three-year battle with the Spanish authorities to get its goods into the country and had been hoping to use the Games to launch a multi-million-dollar line of new sportswear.

That respite aside, the ban, which is provisional and affects Nike apparel but not its shoes, has opened a serious breach in Spain's trade relations with the US. Madrid has been placed on Washington's watchdog list, making it a potential victim of reprisals.

Government officials in the Spanish capital, asked in June by the European Commission for an explanation, confess they are concerned about the implications of the ban but that there is little they can do to overturn decisions made by independent judges.

The government is trying to persuade the courts to allow Nike US to post a bond which would allow it to advertise during the Games but provide some security to the Spanish claimant to the Nike name should the courts continue to find against the US company.

"Over the past three years, in the Spanish courts and in the market place, our rights to operate as a brand in Spain have been trampled under," said Mr Richard Donahue, president of Nike, from the company's Oregon headquarters recently.

"Our goods have been seized from bonded warehouses, our country manager harassed, read his rights and summoned before a criminal court to defend Nike's movement of products within the free trade zone [of European Community countries]."

Nike's nightmare goes back to 1932 when a Catalan sock maker registered the Nike name in Spain. Little is known of the Spanish Nike's fortunes until 1982 when Nike Inc signed a distribution agreement with the owner of the rights to market the Nike brandname in Spain, a Catalan company called Cidesport. The actual trademark is owned by a Catalan lawyer, Mr Juan Amigó.

When Nike International, Nike Inc's international operating arm, first began doing business with Cidesport, the marketing rights were held by two brothers, Carlos and Lorenzo Rosal Bertrand. Nike officials in Oregon say they were assured by the brothers that the local trademark was not a problem. However, by 1988 when Nike began to indicate it wanted to market its product directly in Spain, Mr Amigó had transferred the right of use of the name to Flora Bertrand, mother of the Bertrand brothers, and Cidesport would not let the trademark go.

US runner Michael Johnson with Nike flash vest

Mr Amigó and his partner are now offering to sell Nike the Spanish rights to the Nike name for $30m, which the US company flatly refuses to pay. But a Barcelona court has upheld the local company's rights to the mark and, in June, the Constitutional Court turned down an appeal by Nike International. At stake now is another appeal to overturn the ban while lawyers fight over the basic rights issue.

Nike Inc reckons the ban could cost around $20m a year in Spain and that sales of Nike clothes by the Spanish company amount, in effect, to counterfeiting. That may allow the government, helpless to intervene until now, a way into the dispute by using its prosecutors to mount a criminal case but as yet no decision has been made.

While the string of court cases is most unlikely to be resolved before the Games, Nike Inc can take heart, however, from the results of a 50-year battle by Perrier, the French natural water group, to sell its Vichy water in Spain. Then, too, Catalan courts repeatedly upheld the rights of the makers of Vichy Catalan to use the Vichy name in Spain. They relented last year.

Nike Inc's struggle should not take quite so long; even this month it has been awarded new trade marks by the Spanish authorities. Mr Amigó's $30m play may be running out of time but until it does, Nike buffs may have to gambol about wearing only their shoes.

NEWS IN BRIEF

French politician ordered to court

By William Dawkins in Paris

MR Henri Emmanuelli, president of the French national assembly, was yesterday summonsed to appear before a court between September 8 and 14 to answer charges over alleged illicit fund raising by the ruling Socialist party.

The move intensifies tensions between the government and the judicial investigation system and will bring a long-running scandal over political corruption into the public eye in the weeks before the September 20 referendum on the Maastricht treaty on European union.

Mr Emmanuelli's lawyers said the summons, from the Rennes appeal court, indicated he was likely to face charges in his capacity as former Socialist party treasurer. He was expected to be charged with complicity in trading favours, attempting to conceal this, and having illicitly collected cash for the Socialist party from two construction companies, Urba and Gracco. This was a charge against the Socialist party itself, said Mr Emmanuelli, and his lawyers said he would therefore not resign.

France's dock scheme expires

France's 45-year dock labour scheme expired yesterday, with the application of a law which will modernise labour practices and help curb costs in what are among Europe's least competitive ports, writes William Dawkins in Paris.

However, a handful of ports, led by Marseilles and Dunkirk, were yesterday continuing to hold out against the reforms and the terms of a FFr2bn (£208m) early retirement and redundancy package from the government and employers. As a result of the reforms, voted through parliament in May, nearly half of France's 8,300 dockers will lose their jobs. The change means dockers will be paid monthly at market rates by cargo handling companies, instead of at centrally fixed rates paid by port authorities irrespective of whether or not work is available.

Telecom protest in Greece

Several thousand striking workers from Greece's state-owned telecoms company, OTE, yesterday demonstrated outside parliament against new legislation that will end the company's monopoly of telecommunications, Kerin Hope reports from Athens.

The law, due to be approved in parliament today, sets up a new regulatory framework for telecommunications similar to those in force in other European Community member states.

No deal over HK airport

An Anglo-Chinese meeting to discuss financial plans for Hong Kong's multi-billion dollar airport and related projects ended yesterday with no agreement being reached, Simon Holberton reports from Hong Kong. However, British and Chinese officials said they would meet again soon to discuss solutions to the impasse put forward by both sides. No date was given.

For the past three months the two sides have made little progress in resolving Chinese concerns about the financing of the HK$175.3bn (£11.7bn) project.

Taiwan approves China links

Taiwan's parliament yesterday voted for a law paving the way for the island to expand economic and political links with China, Reuter reports from Taipei. MPs approved the Statute for Relations Across the Taiwan Strait after almost two years of stormy debate on its 96 articles.

US construction starts fall

Construction starts on new homes and apartments in the US fell slightly in June after a big rise in May, the Commerce Department said yesterday, Reuter reports from Washington. The annual rate of starts on new homes fell 3.2 per cent to a seasonally adjusted annual 1.17m units after a jump of 11 per cent in May. The June figure was below Wall Street economists' forecasts of 1.21m and continued a seesaw pattern of rises and falls in construction activity.

Canada's inflation rate slows

Canada's inflation rate slowed to 1.1 per cent in June, its smallest year-on-year increase in 30 years and the lowest rate currently prevailing among the main industrial countries, Bernard Simon reports from Toronto. Canadian banks were yesterday expected to reduce their prime lending rate from 7 per cent to 6.75 per cent, down from a peak of 14.75 per cent in mid-1990.

NEWS: INTERNATIONAL

Unabashed Perot cuts his $10m losses and runs

The would-be candidate made a difference before concluding he could not win, reports Jurek Martin


Perot: popularity fell

THE end for Mr Ross Perot, when it came, really was quick, almost businesslike. Less than a day after a top adviser walked out, and with poll after poll showing his popularity in free fall, the Texas billionaire "picked up his marbles and went home", as Molly Ivins, the Dallas newspaper columnist, said he would the night before.

He did it in Perot style too – unabashed, unapologetic, admitting no more than a minor mistake here or there. He felt for his "volunteers" but offered them no guidance, beyond a complimentary nod to the revitalised Democratic party. In effect, he cut his losses, about $10m (£5.2m), and ran.

But he left claiming to have made a difference, and, in that belief, his confidence is not entirely misplaced. For this has been the political year of the protest – from Pat Buchanan, Jerry Brown, even Paul Tsongas and certainly Mr Perot himself – and though each has individually failed, their cumulative effect has been to change the tenor of the presidential election campaign.

The critical question now for the two who remain standing, President George Bush and Governor Bill Clinton, is who is best positioned to pick up the pieces, above all those left stranded by Mr Perot.

Mr James Carville, Mr Clinton's top strategist, is sure it will be his man. He said yesterday that, whatever else might be said of Mr Perot, he had tapped a well of discontent in a country dissatisfied and demanding change.

The Clinton premise throughout, he argued, has been change, while that of Mr Bush has been retention of the status quo. The fact that Mr Perot has quit while Mr Clinton is in the climactic stages of a successful convention, leaping ahead in popularity, may also provide an extra boost, even justification for the claim that it was Mr Clinton, not the president, who proved the Perot-slayer.

The president has also been portraying himself recently as the architect of change. But he has also consistently maintained that the electorate will not make up its mind until the last two months of the campaign, when he promises to pull out the stops.

In reality, Mr Perot's softer support had already begun to switch in droves to Mr Clinton, as all the recent polls prove. Its harder core element is probably overwhelmingly Republican and concentrated in the southwest and west. If Mr Bush wins this back, he will have evened the odds.

The all-southern Clinton-Gore ticket is intended also to boost the Democrats in the deep south, where a breakthrough is imperative for national success and where Mr Bush is still more popular than elsewhere. The three-way contest would have been helpful in this respect.

But the Perot factor was more than just a demand for change. It was a direct and adverse reflection on the perceived abilities of Mr Clinton and Mr Bush, seen as practitioners of politics as usual.

Mr Clinton may be on the up at the moment, while Mr Bush is not. But both still have a way to go to convince Americans that they can lead the country effectively. The Perot jury is not the only whose judgment is still being reserved.

The disappearance of the Texan also illustrates the immense practical difficulties of waging an independent campaign, albeit one whose appeal is purely populist and not lacking in finance.

The departure from the Perot camp on Wednesday of Mr Ed Rollins, President Ronald Reagan's campaign strategist in 1984, shows that professionals and amateurs do not live together easily in politics, that a campaign chest which is a personal fortune is not a common campaign property, and that the executive decision-making of business and the collectivity and compromises that are the essence of politics are inherently very different.

Mr Perot reached the peak of his popularity last month very much on his own. He captured the TV talk shows, set up his own phone banks, conducted his own personal schedule, and spent his own money – not a lot of it, compared with what he has and what he would have to spend if he were to run for president, but a sum beyond the reach of just about any other mortal.

He brought in Mr Rollins and Mr Hamilton Jordan, Mr Jimmy Carter's former political guru, 45 days ago because, he said, "world class" supporters (his volunteers around the country) needed "world class" professional direction. A lot of the volunteers promptly took umbrage.

The specific grouses of Mr Rollins are symptomatic of the dichotomy. Mr Perot did not think the experienced ad-man they wanted to hire was worth the money; he reportedly did not show them in advance his patronising speech last weekend to a black audience (if he did, their professionalism was wanting); and he did not believe them when they said he was losing momentum and had to kick into another and more expensive gear straight away.

Now he does not have to. The billion-dollar man has gone back to earning more millions. It is probably easier than politics anyway.

Clinton keen to keep up momentum

By George Graham in New York

GOVERNOR Bill Clinton plans to hit the ground running after accepting the Democratic party's presidential nomination in Madison Square Garden last night.

The decision of Mr Ross Perot not to enter the contest has turned the presidential election into a two-man race, but Mr Clinton is not going to draw breath to plot his campaign strategy for the autumn.

Instead, he and his vice-presidential running mate, Senator Al Gore, will embark today on an eight-state bus tour that will take them from Coatsville, Pennsylvania, to Vandalia, Illinois.

Mr Clinton has emerged from this week's Democratic party convention with a heartening boost to his standing in public opinion. But Democratic candidates have surged before in the wake of their convention, and have rarely been able to sustain the momentum through to the November general election.

The memory of Governor Michael Dukakis, the party's candidate in 1988, is raw in Democrats' minds. That year's convention helped boost Mr Dukakis by 6 percentage points, opening up a gap of 17 points over then vice-president George Bush.

Party organisers are keen to avoid repeating the strategic mistakes that then frittered away the lead.

"Dukakis made a mistake in taking a break. Bill Clinton and Al Gore are not going to make that mistake. They are going to come out of this with a pop in the polls, but then George Bush is going to get a pop from his convention," said Congressman Les Aspin.

Mr Ron Brown, party chairman, said his organisation was ready to move into action behind Mr Clinton's candidacy. "He is going to leave this convention on the run. There is going to be no hiatus while he goes back to Arkansas to plan the campaign," he said yesterday.

The bus tour is designed to keep the Democratic candidates in close touch with the US heartland.

"The idea of the trip is that they are going to hit the ground running and take the country back," said Mr George Stephanopoulos, Mr Clinton's deputy campaign manager.

On a whistle-stop tour by aircraft, he said, "you don't get the feel for the country".

But Clinton advisers also expect to take their campaign to a broader audience with an early wave of television advertising – a decision made easier by the campaign's vastly improved finances.

After ending the primary season with a deficit, Mr Clinton has managed to raise enough money to pay off debts and his staff salaries, and can begin the general election campaign in good shape.

"Obviously, when you look like winners it's easier to raise money. That's true in life and in politics. We clearly look like winners," Mr Brown said.


'Magnificent Mario': Governor Cuomo put all the politician's oratorical skills on display, using wit, savagery and partisan scorn

Hamlet of the Hudson brings house down

Jurek Martin on a triumphant nominating address by Mario Cuomo

GOVERNOR Bill Clinton knows about speeches. He writes many of his own and there is enough of the southern Baptist tradition of oratory in him to make them sound good – when he is on form.

But he would have to exceed his finest performance to come close to what Mr Mario Cuomo pulled off on Wednesday night in nominating Mr Clinton as the party's presidential candidate.

The address by the governor of New York can be assessed on two levels – the purely political and as a piece of political theatre. On both it won rave reviews.

There were nagging doubts before he spoke that the Hamlet of the Hudson, a man of many moods and not all benign towards Mr Clinton, might give the nominee short shrift. Some of the earlier highlighted speeches – Jesse Jackson's, Barbara Jordan's and the petulant Jerry Brown's - had focused more on the party than praise of Mr Clinton. Mr Brown never mentioned his name.

Mr Cuomo invoked it 32 times, beginning with the first sentence and ending with the last. More than that, each progressive value he has long attributed to himself he said Mr Clinton possessed to an equal or even greater degree.

The embrace was total, and Mr Clinton could have asked for no finer send-off.

"Magnificent Mario Cuomo" was how the nominee gratefully put it.

He put all the politician's oratorical skills on display. The timing, the pacing, the wit, the savagery were all there in a wondrous bundle of metaphor, imagery and, when turning the fire on President George Bush and the Republicans, cold partisan scorn and contempt.

He brought the house down when he contrasted the Democratic and Republican attitudes to the imperative of helping the needy.

"That is the fundamental Democratic predicate. Surrender that Democratic principle and we might just as well tear the donkeys from our lapels, pin elephants on instead and retreat to elegant estates behind ivy-covered walls, where, when they detect a callous on their palms, they conclude it is time to put down their polo mallet."

Mr Bush, he said in another passage, did not understand that the ship of state was foundering. "He seems to think the ship will be saved by imperceptible undercurrents, directed by the invisible hand of some cyclical economic god, that will gradually move the ship at the last moment so that it will miraculously glide past the rocks.

"Well, prayer, prayer, is always a good idea; but our prayers must always be accompanied by good works. We need a captain who understands that, and who will seize the wheel before it is too late. I am here tonight to offer America that new captain with a new course before it is too late, and he is Governor Bill Clinton of Arkansas."

Some close Cuomo watchers claimed this was stock stuff, lifted from many a recent speech. But the governor hates to leave his home state and he has not had a national audience like this since the party's convention in San Francisco in 1984.

Back then, he talked about his democratic values. But he never extended them as personally to Mr Walter Mondale as he did to Mr Clinton. That he did, surely laid to rest forever the dreams of his supporters that he will himself one day become president.

If Mr Clinton wins in November, perhaps he will redeem a half-promise and elevate Mr Cuomo to the Supreme Court at the first opportunity.

If nothing else, that should improve the quality of the court's written judgments.

Japan to import US-made Toyotas

By Steven Butler in Tokyo

TOYOTA, Japan's biggest car maker, is to start importing US-made Toyota cars into Japan next month.

The move is important symbolically as an effort to reduce Japan's huge trade surplus with the US, particularly given Toyota's huge market power in Japan, where it claims 42 per cent of car sales. It will also help Toyota meet a growing domestic demand for estates (station wagons).

Toyota will import the right-hand-drive version of its Camry Wagon, manufactured at its plant in Georgetown, Kentucky, to be sold domestically as the Scepter.

The company has set an ambitious sales target of 700 units a month. It will compete against Honda's US-made and designed Accord Wagon, whose sales have averaged 836 a month this year.

Nissan said yesterday it would next year start importing to Japan a small wagon to be manufactured at its Mexican assembly plant.

Honda remains the leader in so-called reverse imports, with average monthly imports of 1,146 units of three different models of the Accord. The cars tend to be sold as premium products without the extensive discounting now available on domestically-made models.

Nissan has been selling an average of 192 UK-made Primera models, while Mitsubishi has sold 46 US and Australian-made models each month. Mazda has sold about 160 US-made cars bearing the Ford marque each month. Ford owns a 24 per cent stake in Mazda.

Total sales of imported vehicles in Japan in the first six months of the year came to 85,129 units, down 12.7 per cent from a year ago. European marques were hit hardest. Sales of BMW and Mercedes have held up fairly strongly, the companies claiming 17.18 and 19.12 per cent respectively of the imported market.

Sales of Volkswagen-Audi vehicles, however, have slipped by 20 per cent, although the company has managed to retain its position as the leading importer, with 21.36 per cent of the market.

Boredom dogs political junkie

By Alan Friedman in New York

BEING a delegate at this week's Democratic convention may involve a lot of parties, but it is no picnic.

As far as the party bosses are concerned, the cheering and waving of posters, which came to a climax last night, are essential elements of prime-time television coverage. But on the ground, life is different.

Take Mr Roy Oppenheim, a 32-year-old delegate from Florida who came to New York committed to Mr Paul Tsongas. Like many of his nearly 5,000 peers he is a first-time delegate who is bored and frustrated.

Mr Oppenheim is a property lawyer and lifelong political junkie who first became active in 1972 when, at the age of 12, he worked on the George McGovern campaign.

In 1980 he worked for Ted Kennedy's campaign and in 1988 he gave speeches in Florida as a surrogate for Al Gore, then one of the candidates for the party's presidential nomination. He formed a local Democratic party club in Fort Lauderdale and was later asked to stand for Congress, an offer he turned down because he reckoned it was "too soon".

Mr Oppenheim says he became a Tsongas delegate – one of 30 in the Florida delegation – "because I wanted to influence the process, especially on the vital issue of education".

Like many delegates, Mr Oppenheim is paying his own way. He estimates his total travel, hotel and other expenses will come to more than $2,000 (£1,050).

In the small hours of Wednesday morning, as he watched a doleful Mr Tsongas greet hundreds of delegates at a low-key reception at Central Park's Tavern on the Green restaurant, Mr Oppenheim opened up.

"I haven't participated in any decisions here in New York. I arrived on Sunday, checked into my hotel, found a ton of uninteresting paper and nine baseball caps from sponsors such as Coca-Cola and Con Edison. Then I was told that for security reasons I have to collect a new set of credentials every morning, between 6.45 and 7.30."

On Sunday afternoon he got down to the most common activity of most delegates – going to receptions. The first was a party in the dinosaur room of the Museum of Natural History, sponsored by Merrill Lynch and featuring a reggae band and Caribbean food.

On Monday he sat through a breakfast meeting of the Florida delegation and found it so dreary he decided to pass on the others.

During the afternoon and evening he has been on the convention floor. "But I do nothing. It is hard to hear most of the speeches so I walk around a little, talk and read newspapers," he said.

"There has been absolutely nothing for me to do here. It's a farce. This is really a media circus and I am just a pawn in the process. But I guess I'm a willing pawn. It may be boring here in New York, but back home it plays very well."

US presses China to end trade rows

By Nancy Dunne in Washington

MRS Carla Hills, US trade representative, is putting pressure on China to resolve a list of trade disputes by mid-August, well ahead of an October 10 deadline set last year.

Mr Michael Moskow, deputy US trade representative, said yesterday that Mrs Hills had given the Chinese government a list of trade issues she wants resolved during talks in Beijing starting on August 17. Otherwise she will publish a list of potential sanctions and begin public hearings.

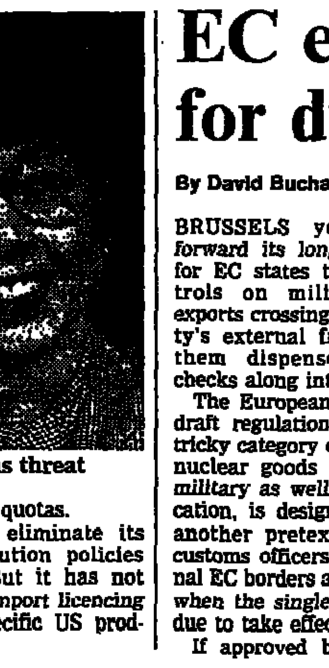
President George Bush, who has been portrayed as being soft on China, could gain politically should the US retaliate in October or win substantial concessions from Beijing.

It is usual to begin any retaliatory process once a deadline has passed. However, Mr Moskow said a similar threat produced an agreement with Beijing on intellectual property rights earlier this year.

He said the two sides had narrowed their differences but that "a substantial gap" remained.

Beijing has agreed not to enforce unpublished trade regulations against foreign importers and to prepare a comprehensive list of restrictions, bans and quotas.

It will also eliminate its import substitution policies "over time". But it has not agreed to end import licencing or bans on specific US products.


Hills: sanctions threat

EC export proposal for dual-use arms

By David Buchan in Brussels

BRUSSELS yesterday put forward its long-awaited plan for EC states to tighten controls on militarily useful exports crossing the Community's external frontier, to let them dispense with such checks along internal borders.

The European Commission's draft regulation, covering the tricky category of dual-use and nuclear goods which have a military as well as civil application, is designed to remove another pretext for keeping customs officers busy at internal EC borders after January 1, when the single EC market is due to take effect.

If approved by EC governments, it would mean, for example, that a UK security export licence granted to a British company would be valid in the rest of the Community.

Delays in producing the plan, caused by the Commission's hesitancy in intruding into a quasi-military field of unquestioned national competence, means there is little chance of member states arriving at sufficient mutual trust to do away with all checks between them in the next five months. So, for a transitional period in 1993, EC officials envisage a certain administrative "paper chase" to check up on dual-use goods circulating in the single market.

Israel and Efta in free trade pact

By Frances Williams in Geneva

ISRAEL and the seven members of the European Free Trade Association (Efta) yesterday reached a free trade agreement after 13 months of negotiations.

The agreement will be signed later this year and is expected to come into effect on January 1, 1993. Customs duties and other trade barriers will be abolished for industrial and processed agricultural goods, fish and other marine products. Israel has also negotiated better terms for trade in farm products with individual Efta countries.

The deal will end the discrimination against Efta exports to Israel when compared with exports from the European Community and the United States, which already have free trade pacts with Israel.

Efta was anxious for a quick agreement to avoid the "negative effects" on trade of a tariffication scheme introduced by Israel in September 1991.

Gatt offered airliner subsidy model

By Frances Williams in Geneva

THE European Community and the United States yesterday offered their hard-won accord limiting subsidies to civil aircraft as a model for a new international agreement under the General Agreement on Tariffs and Trade (Gatt).

The bilateral accord, reached on April 1 after six years of wrangling over government aid to the European Airbus project, will formally come into effect next week after endorsement by EC finance ministers last Monday.

It limits direct government support for new aircraft programmes to 33 per cent of total development costs. Indirect supports, for instance through military contracts, are limited to 4 per cent of a company's turnover.

Both the EC and the US are long-standing critics of Gatt's civil aircraft code, drawn up in the Tokyo round of trade talks that ended in 1979. The code, which has 22 signatories, eliminates import duties on civil aircraft and the bulk of aircraft parts, including engines. But its references to subsidies and competitive practices are vague, leaving the door open for conflicting interpretations.

The US, overriding EC objections, has instead chosen to use Gatt's subsidies code as the vehicle for attacking state assistance to Airbus. It alleges that Germany, France, Britain and Spain have spent $13.5bn to $26bn on subsidising the four-nation consortium, while the EC claims that US manufacturers have received similar amounts indirectly through military programmes.

Earlier this year, a disputes panel under the subsidies code ruled against exchange rate guarantees to Deutsche Airbus by the German government. The government announced last weekend it was selling its stake in Deutsche Airbus and cancelling the guarantees.

Gatt's civil aircraft committee yesterday agreed in principle to renegotiate the code. This will most probably be based on the US/EC agreement. However, the agreement cannot simply be adopted wholesale by Gatt.

In particular, it applies only to new projects for civil airliners with more than 100 seats. Manufacturers of smaller aircraft such as Fokker, the Dutch concern, which are now covered by the Gatt code, maintain they have different financing needs. An EC official said yesterday that small manufacturers claim to require proportionately higher cash advances from government to launch new aircraft than the US/EC pact permits.

■ Failure comes as Maxwell and Polly Peck cases await trial ■City regulators wait in wings to be enforcers

Blue Arrow leaves SFO reputation in tatters

By Richard Waters

THE ROUT of the Serious Fraud Office in the Blue Arrow fraud trial yesterday left the reputation of the prosecutors in tatters and again cast doubt on the high-profile pursuit of financial fraud adopted by the authorities in the UK in recent years.

The latest failure comes at a sensitive time. With two other big prosecution cases being assembled – over the Maxwell affair and the collapse of Polly Peck International – the Blue Arrow fiasco strikes at the heart of the way such cases are prepared and staged.

"It looks like another nail in the coffin of the SFO," said one senior City regulator, who refused to be named. A partner of one of the biggest City law firms, who also declined to be named, said: "They aren't of the calibre of the people they are trying to prosecute. They don't pay enough. They aren't a top-flight team."

Memories of other failures are still fresh in the City's mind: the banks and individuals who were acquitted during the course of the Blue Arrow trial; the abandonment of the second Guinness trial and the decision not even to begin the third; the dismissal of the planned prosecution of former directors of Alexander Howden, of the Lloyd's insurance group.

Anguish about the way these trials have been mounted, and the personal pressure put on the defendants in each case, has intensified – aided by the widely publicised illnesses of Mr Ernest Saunders, former chairman of Guinness, and Mr Roger Seelig, a director of Morgan Grenfell, Guinness's advisers.

After nearly five years and a trial that cost more than £35m, the acquittal of the only four defendants convicted in the Blue Arrow trial added to that anguish in the City. In spite of joy in some quarters – "Isn't it *wonderful!*" was *the spontaneous* reaction of a personal assistant who had worked with Jonathan Cohen – there was widespread disquiet about the futility of the prosecution.

Sir Andrew Hugh Smith, chairman of the London Stock Exchange, summed up the prevailing mood. Bemoaning the "appalling waste of money and resources", he said: "We must be able to find better ways of doing things."

According to some City lawyers, *the SFO has been the victim* of its own prosecution policy. Set up four years ago to pursue big and complex frauds, it decided from the outset to generate voluminous lists of charges against defendants, apparently with the view that it was better to get part of its *case to stick than to focus* on only one aspect of a fraud and risk failure.

"They brought more charges than they needed to and made the cases more complex as a result," said Mr Mark Dawkins, a partner at City law firm Simmons & Simmons.

Blue Arrow may be a throwback to those early days. However, the rejection of a raft of offences against Mr Asil Nadir, who was charged more recently, suggests that the SFO's prosecution policy has *not changed entirely*.

With the SFO stumbling again, City regulators were yesterday dusting down their credentials, preparing to put themselves forward as the best enforcers of the complex rules and regulations that govern financial markets. However, the need to work closely with the SFO, and concern about raising political hackles in Whitehall, left the regulators reluctant to go public with their views.

"When this case was started, there was no other way to go," said the head of one regulatory body.

He suggested that the Financial Services Act, which came into force after the events that led to the Blue Arrow trial, provides an alternative mechanism without involving the criminal justice system.

However, while there is a widespread feeling that the City could deal with such complex cases more quickly than the judicial system, by exercising its traditional sanction of blackballing miscreants, few believe that that would be a politically acceptable way forward. "You could make quite a strong argument for saying that the City could sort its own messes out better," said Sir Andrew. "But is society going to accept that that is a good idea?"

One fear that persists outside the City is whether the regulatory bodies – which are *still* made up largely of market practitioners rather than independent regulators – deal sufficiently severely with wrongdoers.

A test of the regulators' resolve may come now with the Blue Arrow acquittals. At least one of those prosecuted is already thought to have made an attempt to gain recognition from the Securities and Futures Authority.

The SFA, while saying it will look at each case individually, has hinted that it may take a favourable attitude to any applications by suggesting that it would not try to reopen questions about individuals raised during court cases.

"We will most certainly not try to second-guess the court," said *Mr Geoffrey* Turner, membership secretary at the Securities and Futures Authority.

Clive Feigenbaum: acquitted after a three-month trial

Fraud trials to come

More than two dozen serious fraud prosecutions are awaiting trial or making their way through the courts.

Those involved include:

■ Mr Kevin Maxwell, *accused of conspiracy* to defraud and theft, and Mr Ian Maxwell, accused of conspiracy to defraud. Their case is still before magistrates.

■ Mr Asil Nadir, former chairman of Polly Peck International, whose trial *on 16 theft charges is* scheduled to start at the Old Bailey next March and is expected to last six months.

■ Mr Roger Levitt, head of the Levitt group, whose trial on fraud charges is expected next year.

■ Mr Gordon Layton, chief executive of National Car Parks, accused of conspiring to defraud a rival company. Trial at the Old Bailey in October.

■ Mr Tony Bestwood, *former chairman of* Bestwood, the industrial and property holding company, awaiting trial in October on 20 charges, including the alleged theft of £1.2m.

■ Mr John Morris, chairman of Therm-A-Stor, whose trial on fraudulent trading and other charges is provisionally fixed for September.

■ Mr Anthony Dobson, Mr Michael Robinson and Mr Keith Woodward, directors of Homes Assured, for trial in January accused of defrauding the company's creditors.

■ Mr Frank Shannon, former finance director of Nissan UK, and Mr Michael Hunt, the company's assistant managing director, awaiting trial for alleged tax fraud.

■ Mr Terry Ramsden, former chairman of Glen International, awaiting trial on 22 charges, including fraudulent trading.

■ Mr Muhammad Naviede, head of Arrows, charged with obtaining £5m by deception in a case still before magistrates.

■ Mr Nazmudin Virani, head of Control Securities, *charged* with conspiracy in connection with Bank of Credit and Commerce International. Two former officials of the bank also face charges.

■ Mr Thomas Ward, US attorney and former non-executive director of Guinness, *facing* theft and false accounting charges at a trial fixed for October.

Ted Gillords

Cleared: Outside court yesterday (above, from left): David Reed, Nicholas Wells and Jonathan Cohen; (below): Martin Gibbs and wife

Rebuilding careers will be hard

By Jimmy Burns, Bethan Hutton and Richard Waters

THE businessmen acquitted in the Blue Arrow trial are likely to find rebuilding their careers an uphill struggle, although they are not without friends in the City.

Mr Jonathan Cohen, 48, Mr David Reed, 44, and Mr Nicholas Wells, 37, are of an an age and experience in which they could theoretically return to their pre-trial jobs as corporate finance directors. The fourth, Mr Martin Gibbs, 62, took retirement in 1989.

Headhunter Mr Nicholas Crossthwaite said the obstacle was not so much the public perception of the defendants as the way the City has changed since they were arrested in and the narrowing job opportunities in the finance sector generally.

"They have shown good skills in the past but the market is against them." Mr *Crossthwaite said. "Corporate* finance activity is 50 per cent of what it was. People think twice now before they hire because money is tough." Among those who have consulted headhunters in recent months is Mr Stephen Clark, another former Blue Arrow defendant who was acquitted at the trial's halfway stage in October last year.

Mr Clark was group finance director at County NatWest until he was suspended on publication of the Department of Trade and Industry report in July 1989. He left the company by mutual agreement in December 1991. "Certainly in my case, being totally vindicated in a central criminal court has not left me without a considerable challenge to re-establish my career," he said.

He is now a consultant on a securities-related project with solicitors Cripps Harries Hall and has worked as a fundraiser for the Urban Learning Foundation charity. Two of the defendants acquitted yesterday, Mr Cohen and Mr Wells, found similar consultancy jobs *during their trial*.

However, 10 months of answering advertisments, tapping personal contacts, and visiting headhunters has not got *Mr* Clark the job he most wants: a similar position to the one he had at County NatWest.

Mr Clark accepts that involvement in a well publicised fraud trial has not made the search for work any easier.

Former employers of the defendants yesterday mixed sympathy with a sense of relief at the court decision, but none would commit themselves to rehiring their former employees.

"This affair has cast its shadow over these men and particularly over their families for several years. We are naturally very pleased that it has now been concluded for them," County NatWest's parent, National Westminster, said in a brief statement.

Mr David Parish, vice-chairman of Charterhouse Bank, said of Mr Cohen: "I wouldn't want to be drawn on Jonathan's personal employment prospects, although I person*ally have got a lot of time for* him."

He added that the decision ought to lead to the removal of any bar imposed on Mr Cohen by City regulators. The Securities and Futures Authority, which approves advisers on securities and corporate finance, said it would review the position of the Blue Arrow defendants if they sought recognition.

The four can take some comfort from the fact that not all the figures caught up in the recent high-profile City scandals have been forced out of the financial industry.

Mr David Mayhew, a senior partner at Cazenove, the stockbroker, was able to continue work while charges in the Guinness affair hung over him, thanks to special dispensation from the SFA. Mr Charles Villiers, charged in the Blue Arrow affair, continues to work as head of corporate development at Abbey National.

As one City banker put it last night: "We are a broad church. There is a general feel*ing that the trial has* been ridiculously handled and the defendants deserve some form of rehabilitation."

Taxpayers' bill set to exceed £35m

By John Mason

TAXPAYERS are now set to pick up a bill in excess of £35m after the overturning of the convictions in the year-long Blue Arrow trial.

Regulators, lawyers and the City in general have again been left to ponder the difficulties of policing and prosecuting fraud.

The three appeal court judges have yet to give their reasons for quashing the convictions. However, the arguments of the defendants' lawyers were plain enough – the *mammoth, year-long* proceedings had put too heavy a burden on the jury and the decision by the trial judge dramatically to scale down the indictment unfairly distorted the trial.

Like many disasters, the seeds of destruction in the Blue Arrow prosecution lay in decisions taken early on.

In early 1989, the Department of Trade and Industry report into the Blue Arrow rights issue was published and passed to the SFO. At that time the SFO was a young organisation, less than two years old, with a reputation to make.

The DTI report was passed on to Mr Nicholas Purnell QC, an experienced criminal prosecutor. From then on, every big decision connected with the prosecution was taken by him.

Mrs Barbara Mills QC, now director of public prosecutions but SFO director for most of the Blue Arrow case, consulted Mr Purnell frequently about its progress. However, she was content to leave most of the decision-making to Mr Purnell, with whom she had shared chambers.

Unlike most SFO cases, the Blue Arrow affair apparently required little investigation. The bulk of the digging, it seemed, had already been done by the DTI inspectors.

Comparatively little follow-up work by the police was considered necessary. The 11 individual defendants were not interviewed before they were arrested in November 1989. Evidence given to the DTI inquiry was to form a substantial plank of the prosecution's case.

From the outset it was clear that the trial was going to be one of enormous proportions, putting great stress on the system of trial by jury. During the 50-day pre-trial hearing, *designed to ensure that the* trial itself was manageable, the prosecution was repeatedly warned by defence lawyers that it was being too ambitious.

Mr Purnell resisted the arguments, insisting that one "mega-trial", involving all 11 individual and three corporate defendants was the only fair and sensible way forward.

Against Mr Purnell's will, Mr Justice McKinnon, the judge, insisted on two trials to keep proceedings manageable. By his own admission, Mr Justice McKinnon was later proved wrong. Merely dividing the proceedings into two trials was not to be enough.

The prosecution ran into serious difficulties once the Crown had closed its case. The evidence provided by the DTI report came under close scrutiny, notably by lawyers for Mr Stephen Clark, County NatWest's former finance director, who was acquitted on the judge's direction, the case against him "completely destroyed". Mr Alan Keat, the Travers Smith Braithwaite solicitor, was also acquitted.

In legal arguments with the jury excluded, defence lawyers began lengthy protests that the trial had already become too large and unwieldy to be fair.

The judge allowed the trial to continue, but was strongly critical of the prosecution. It had lost sight of the limits of the jury system, he said. In grappling with the case to make it manageable, he felt like a dentist extracting teeth, he told the court. Relations between him and Mr Purnell became visibly and increasingly strained.

However, it was after all the evidence had been heard and all closing speeches made to the jury that the difficulties came to a head.

Mr Justice McKinnon decided that the evidence was too much for the jury to cope with. The indictment was cut radically, with the jury left to decide only on the issue of the late taking up of shares on the night the rights issue closed. Three quarters of the evidence had to be disregarded. The evidence that remained had almost all been given in the early weeks of the trial.

The judge's decision left many astonished. It was, everyone agreed, a decision that should have been taken before the trial had started.

Mr Justice McKinnon told defence lawyers: "You are all entitled to one 'I told you so'."

Lawyers have for months been assigning the *blame for* the Blue Arrow debacle to various quarters. Barristers have privately expressed criticism of Mr Purnell for maintaining such a large case. Mrs Mills held an off-the-record press briefing at which she criticised the judge for his non-interventionist handling of the trial.

Wherever the blame lies, there is no doubt that the trial has prompted both judges and prosecutors to recognise the need to tailor future cases to the limits of the jury system.

Few think a trial of the size of Blue Arrow will be attempted again. As one observer in the public gallery observed drily during the trial: "It's like sailing on the Titanic, blessed with the gift of foresight".

Stamps expert cleared of plot on 'fakes'

By Bethan Hutton

MR CLIVE FEIGENBAUM, a former chairman of Stanley Gibbons, the stamp dealers, was yesterday cleared of masterminding a plot to dupe col*lectors into buying fake rare* stamps deliberately printed with errors to boost their value.

After a three-month trial at Southwark Crown Court the jury acquitted him of fraudulent trading.

Two weeks ago, at the end of the prosecution case, the judge directed the jury to acquit six men charged with Mr Feigenbaum because there was insufficient evidence against them. Another man, who had originally pleaded guilty, changed his plea and was also discharged.

The prosecution had alleged that Mr Feigenbaum was behind a fraud that involved the manufacture of colonial government stamps with deliberate printing imperfections such as lack of perforations or missing colours. Such stamps, which do not normally slip past printers' checks, are *known as varieties*.

The stamps had been advertised without Mr Feigenbaum's knowledge in collectors' catalogues as genuine "mistakes" with rarity value.

Mr Feigenbaum claimed that Commonwealth stamps produced with his authority under "open contracts" were valid reprints and varieties to meet demand from collectors interested in special subjects such as cars and trains.

He said that "revolutions" in the stamp industry had allowed "open contracts" to be negotiated with governments, allowing certain varieties and reprints of issues to be made. The prosecution had mixed up that sort of agreement with contracts colonial governments had negotiated through Crown Agents for new stamps, he claimed.

Judge Eugene Cotran made clear during the course of the *trial that the production of* varieties in itself is not illegal, although it is an offence to sell them as if they were produced accidentally.

Mr Feigenbaum's acquittal may disturb some sections of the philatelic world, which does not accept the practice of printing varieties.

Mr Feigenbaum has collected and dealt in stamps since childhood. Over the past eight years, his career has changed from the chairmanship of Stanley Gibbons, the biggest name in the stamp world, to a position outside the main industry body, the Philatelic Traders *Association*.

The reflotation of of Stanley Gibbons on the Unlisted Securities Market was called off at the last minute in 1984, when Mr Feigenbaum was chairman. He resigned and sold his stake in the company.

Informed collectors are now wary *of spectacular errors* in newly issued stamps from certain small countries, but those involved in the philatelic trade say that few will follow Mr Feigenbaum into openly printing varieties.

Mr Richard West, editor of Stamp Magazine, says that *most printers would not* touch a request to print varieties. "In fact, it is common knowledge that another stamp printer was approached with a similar proposal and just flatly refused. It was more than their reputation was worth," he said. Printing contracts can depend on a record of *producing* as few accidental varieties as possible.

Big City fraud trials produce low conviction rate

By Raymond Hughes, Law Courts Correspondent

IN THE three big City fraud trials – Guinness, Barlow Clowes and Blue Arrow – 26 individuals and three compa*nies were charged* and *only six* convictions have so far been achieved.

Eighteen defendants have been acquitted or seen the cases against them dropped. Five remain to be tried – four of them being the remaining Blue Arrow defendants, whose prosecution must now be in doubt. Those three trials were, admittedly, at the high-profile end of the SFO's activities.

In his annual report in May, Mr George Staple, SFO director, announced that in the previous year 58 defendants *had appeared* in 28 trials. Of those, 22 pleaded guilty and 16 others were convicted.

The SFO is not the only prosecuting authority whose record in dealing with City crime is dismal. The Department of Trade and Industry, which spearheads the drive against insider dealing, has had only limited success.

In 28 insider dealing trials in the past 11 years, almost half the defendants have been acquitted. Nearly two thirds of those convicted had pleaded guilty.

In Guinness, eight people were charged. Four – Mr Ernest Saunders, former Guinness chairman and chief executive; Mr Gerald Ronson, chairman of Heron group; Mr Anthony Parnes, a City stockbroker; and Sir (now Mr) Jack Lyons, a millionaire financier – were convicted in the first trial.

Mr Saunders' five-year sentenced was halved on appeal and he was paroled after 10 months.

Mr Ronson served six months of a 12-month sentence and was fined £5m. Mr Parnes, whose 2¼-year sentence was cut on appeal to 21 months, served 11 months. Mr Lyons was fined £3m.

The second Guinness trial ended abruptly for reasons for which the SFO could not be blamed.

The judge accepted the view of two psychiatrists that the mental and emotional strain on Mr Roger Seelig, a former corporate finance director at Morgan Grenfell, of conducting his own defence was so severe that there was a risk that he would commit suicide if the trial went on.

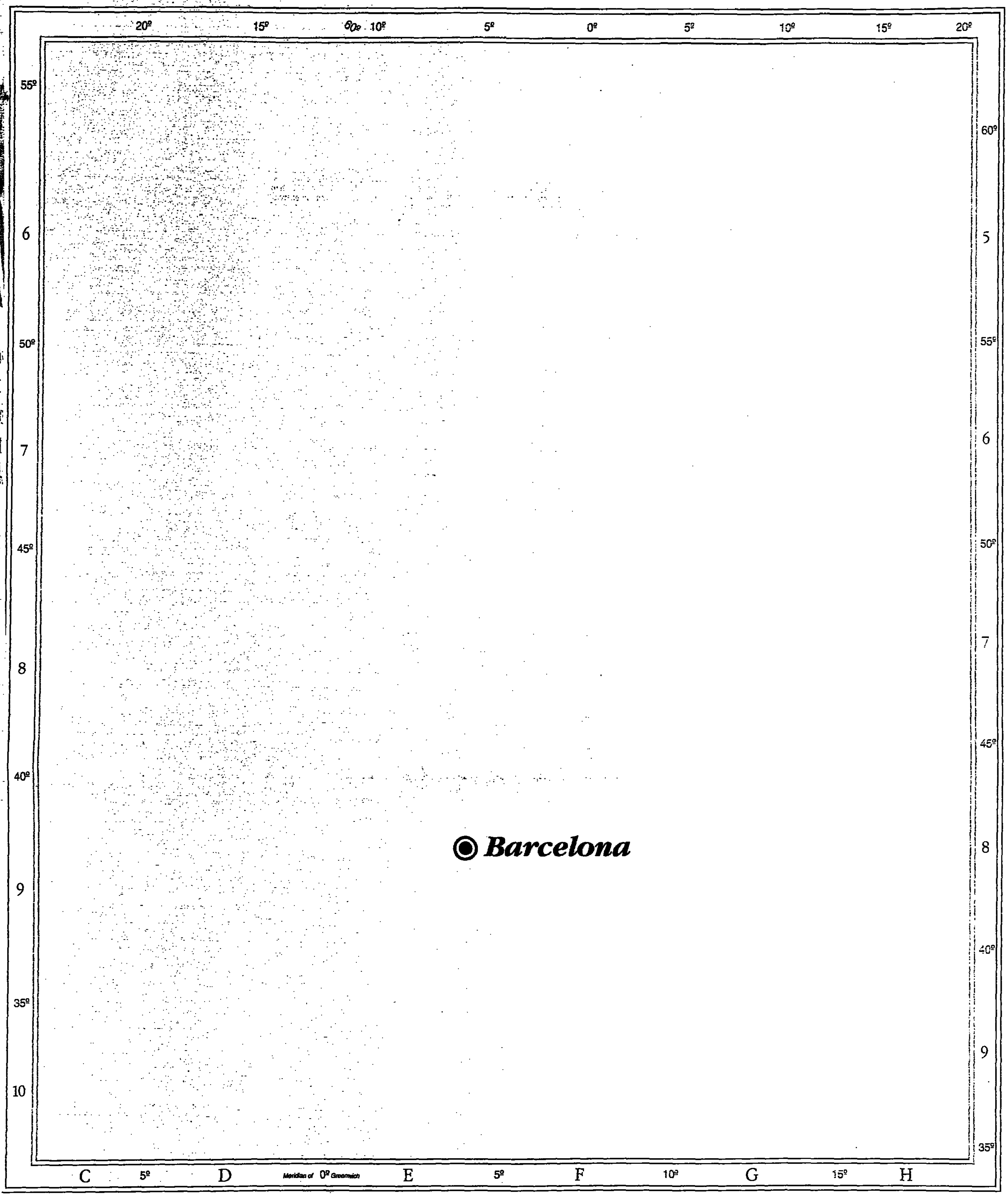
A *nolle prosequi*, which halted the proceedings but was not equivalent to an acquittal, was entered in respect of Mr Seelig, and proceedings were discontinued against his co-defendant Lord Spens, former corporate finance managing director at the Henry Ansbacher merchant bank.

Shortly before that trial collapsed, the SFO announced that it was dropping charges against Mr David *Mayhew*, a partner in Cazenove & Co, the stockbroking firm, and Mr Seelig, who were to have stood trial in Guinness Three.

There remains the trial of Mr Thomas Ward, a US attorney and former Guinness non-executive director, on theft and false-accounting charges, due to begin in October.

In the Barlow Clowes affair, seven men were originally charged. The case against one was dropped. After a six-month trial, Mr Peter Clowes was sentenced to 10 years in jail and Mr Peter Naylor to 18 months.

Mr Guy Cramer and Mr Christopher Newman were acquitted. The SFO decided to offer no evidence against Mr David Mitchell and Mr Ian Crabtree, who were to have figured in a second trial.



IN WHICH COUNTRY WOULD YOU PLACE THIS POINT?

Tenants warn prime minister they may desert Canary Wharf

Banks fear isolation in 'wasteland'

By Robert Peston

PROSPECTIVE tenants of Canary Wharf, the massive office development downriver from the City of London, are warning the prime minister that, unless the Jubilee underground railway line is extended to the scheme they will reconsider their decision to move to Docklands.

In letters to Mr John Major, present and prospective tenants of Canary Wharf, which is in administration under UK insolvency procedures, urge Mr Major to take action in helping to finance the tube extension.

The tenants want the government to take advantage of the offer from the Canary Wharf administrators to finance a private sector contribution for the line by selling a building to the government.

The tenants, including the US oil company Texaco and the investment banks Credit Suisse First Boston and Bear Stearns, say they moved to Canary Wharf on the clear understanding that the government was committed to regenerating London's Docklands, but they are now afraid that the area is trapped in "a downward spiral".

Before signing up for Canary Wharf, they had each been shown a letter from the Chief Executive of the London Dockland Development Corporation, the official body in charge of redeveloping the area, which promised that "Docklands will become the most accessible location in the Central London area by 1992". In the event, Docklands is now perceived as "completely inaccessible". Tenants already on the site say they fear becoming isolated in an office wasteland.

Meanwhile a coalition of Docklands businesses and community representatives also put pressure on Mr Major to build the Jubilee extension. They sent him a petition backing the line.

Mr Peter Corfield, of advertising firm Ogilvy & Mather which has offices in Canary Wharf, said that 5,000 signatures had been collected in just two days.

On Wednesday, government ministers and advisers are due to meet to evaluate the Canary Wharf offer.

The Canary Wharf administrators have told the government that if it wants only to rent space rather than buy, then Canary Wharf could still make a contribution to the Jubilee line by raising new loan finance on any Canary Wharf building rented by government.

The 11 banks who have lent £576m to finance the development of Canary Wharf met yesterday to evaluate this strategy for rescuing the project which has been prepared by the administrators, who are partners of Ernst & Young the accountants.

Canary Wharf tenants say they moved in on the understanding that the government was committed to regenerating Docklands

Watchdog says peace dividend squandered

By Daniel Green

DEFENCE ministers, contractors and civil servants are squandering the peace dividend through mismanagement, political interference in procurement decisions and foreign exchange errors, according to an independent government report.

The National Audit Office's Statement on Major Defence Projects published today lists errors that have cost tens of millions of pounds and are leaving part of Britain's navy unable to defend itself.

The report comes less than a week after publication of the defence policy paper which detailed measures to make Britain's armed forces "smaller but better". It is the more sensitive for being a first: until this year, its contents were largely classified.

The report will make uncomfortable reading for Mr Malcolm McIntosh, the new head of defence procurement, and his bosses, Mr Malcolm Rifkind, the defence secretary and Mr Jonathan Aitken, the minister for defence procurement. The audit office is a government watchdog that examines the financial performance of public bodies.

Perhaps the most serious of the audit office's accusations is that in 1987 Sir George Younger, then defence secretary, overruled Mr McIntosh's predecessor, Sir Peter Levene, by insisting that a contract worth £130m was placed with the Swan Hunter shipyard on Tyneside. Sir Peter had advised that that "the prudent and economical course" was a competition for the contract.

Jobless figures raise hope of recovery in late 1992

By Peter Marsh, Economics Staff

A SMALLER than expected rise in unemployment last month, shown in government statistics published yesterday, has revived cautious hopes about a recovery later this year.

Seasonally adjusted unemployment rose by 7,000 in June, the smallest increase for two years. The 27th consecutive monthly rise brought the number registered as unemployed to 2,722,700, the highest total since August 1987.

The rise followed a revised increase of 20,400 in May, and one of 42,600 in April. During the three months to June, the average monthly increase has been 23,300, the smallest recorded for any three-month period since September 1990.

Mrs Gillian Shephard, employment secretary, said the news was encouraging. "We all know that the improvement in the employment situation lags recovery," she added. "But this time there will not be such a long lag as in the 1980s."

While the Treasury said the figures were "a clear sign that increases in unemployment are abating", the opposition Labour party said there was "no immediate prospect of a reduction in unemployment and the misery this brings".

Wage inflation as measured by changes in average earnings has fallen at the sharpest rate for 10 years, according to government figures. The index of average earnings across the economy rose in the year to May by an underlying 6.5 per cent, after 7 per cent in April and 7.5 per cent in the previous month.

This is the first time the year-on-year increase has fallen by a full percentage point in any two-monthly period since July 1982. The May figure is the smallest annual increase in average earnings for 25 years. The statistics are largely the consequence of the downward pressure on wage settlements over the past year.

Ignoring seasonal fluctuations, unemployment fell by 29,701 to 2,678,191. The seasonally adjusted unemployment rate was 9.6 per cent, the same as in May. Out of the 7,000 extra people added to the adjusted jobless total, just over half were in the south-east, including Greater London.

The 3,600 addition for the south-east pushed the unemployment rate for the region to 9.2 per cent, up 0.1 of a point on May. The rate is the highest for this part of Britain since the Department of Employment started records in 1974.

While most other regions saw small increases in jobless totals, the East Midlands and north-west England registered slight falls, of 200 and 300 respectively.

Separately, the Department of Employment said registered workers – including people in employment, the self-employed and those in the armed forces and on government training programmes – totalled 25.56m at the end of March. Although this was 64,000 down on the figure three months earlier, the reduction in employment was the smallest quarterly fall since mid-1990.

While the number of workers in manufacturing showed a fall of 73,000 in the first quarter to 4.6m, those employed in services rose by 68,000 to 15.7m. This was the first quarterly rise in service employment since the second quarter of 1990.

Unfilled vacancies at government Jobcentres fell by 5,100 in June to 109,500. But the 322,400 people joining the jobless count was the lowest monthly figure since September 1990.

Ford cuts production after UK sales fall

By John Griffiths

UK CAR market leader Ford is to cut production at its Halewood plant on Merseyside for a month because of the continuing slump in new car sales.

Peugeot Talbot is also to cut production by 7 per cent, with the loss of about 100 jobs, after its 3,000 employees return from their summer break. However, it attributes them to changes taking place within its Ryton manufacturing plant in preparation for building a second model.

Main rivals Vauxhall and Rover Group said they had no plans to for cutbacks. But while Vauxhall forecast that it could achieve record production this year, a Rover spokesman warned that if August sales are significantly below the 400,000 for which the industry hopes, the industry could have no choice but to cut output later in the year to prevent stocks building up.

Ironically, the cutbacks were disclosed as the Society of Motor Manufacturers and Traders and Central Statistical Office jointly released statistics showing that, despite the severe slump in UK new car sales this year and weakening exports, car production in the year's first six months, at 686,763, was only 1.1 per cent lower than in the same period a year ago.

Total car production for the month of June, at 129,219, was 3.31 per cent higher than the previous June's 125,077.

The statistics also show a sharp rise in commercial vehicle production for the first half, up 24.72 per cent to 138,384 from 111,440, and up 49.3 per cent in June, to 27,493 from 18,414. Unlike cars, the expansion in commercial vehicle production was export driven, and largely the result of the entry into production of new light van ranges from Ford, for which its UK plants are the sole source of supply.

PSBR jumps to £4.23bn last month

By Peter Norman

BRITAIN'S public sector borrowing requirement jumped to a higher than expected £4.23bn last month as the recession depressed government revenues and boosted spending.

The June PSBR was well above average market forecasts of a £3.5bn budget deficit and higher than the £3.15bn PSBR recorded in May and the June 1991 deficit of £1.36bn.

It brought the total borrowing requirement in the first three months of the 1992-93 financial year to £10.8bn, fuelling fears that the government will not be able to keep borrowing within its £28bn target.

Although deficits tend to bunch in the early months of the financial year, the worsening finances will reinforce the hand of Mr Michael Portillo, the chief secretary to the Treasury, when he presses for cuts in public expenditure in the current spending round.

Britain in brief

Cash boost for deprived urban areas

Mr Michael Howard, environment secretary, announced the 20 run-down urban areas which will share £750m of government City Challenge funding over five years from 1993.

He said he expects the private sector to contribute more than £2bn in the 20 areas, taking the total investment to nearly £3bn.

The 20 "winners", chosen in a competition judged by ministers on the basis of bids are in addition to the 15 which gained funding under the first round of City Challenge.

A majority of the 57 urban programme areas have funding under the scheme, but since the £750m is creamed off existing urban regeneration budgets there is acute concern about the future among the losers. Each winner gains £37.5m for a regeneration project in partnership with private and voluntary sectors.

Rise in Lloyd's 'open years'

The number of syndicates at the Lloyd's insurance market unable to close their accounts nearly doubled last year.

The increase, from 53 to 103, is further bad news for Names – the individuals whose capital supports underwriting – who are unable to resign their membership of Lloyd's if they are members of syndicates with so-called "open years". Lloyd's reported its worst-ever losses of £2.06bn last month for the 1989 year.

Syndicates – annual joint ventures of Names – leave their accounts open when there is uncertainty about the size of future claims. Those specialising in US long-tail liability business, in which claims are made sometimes many years after the inception of the policy, have been worst affected.

Clampdown on car thefts

Norwich Union is refusing to insure new customers seeking cover for high-performance hatchback cars unless the cars are fitted with engine immobilisers. The insurance company said the cars were three times more likely to be stolen than standard models. It had decided to make the immobiliser a requirement instead of raising premiums.

Income support challenge fails

Britain's system of income support, which can leave single parents better off on the dole than working, is not a breach of European Community sex discrimination laws, the European Court of Justice in Luxembourg ruled.

Two women, supported by the Child Poverty Action Group, argued Department of Social Security regulations made it financially impossible for almost 1m mothers with young children to work.

Both mothers were challenging the Social Security Act 1986 which, unlike the Supplementary Benefit Act it replaced, does not allow child-minding expenses to be deducted from part-time earnings when assessing levels of benefit.

One mother said she was £10 a week worse off by working part-time as a graphic designer. She had to pay £25 a week for child-minding for her six year old son but could only offset £15 of her income against DSS allowances.

The European Court ruled that the issue was not covered by EC directives on equal treatment regarding access to work and social security.

Stamp expert cleared

Mr Clive Feigenbaum, a former chairman of Stanley Gibbons, the stamp dealers, was cleared of masterminding a plot to dupe collectors into buying fake rare stamps deliberately printed with errors to boost their value.

After a three-month trial at Southwark Crown Court the jury acquitted him of fraudulent trading.

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Mr Feigenbaum said Commonwealth stamps produced with his authority under "open contracts" were valid reprints and varieties to meet demand from collectors in specialist fields such as cars and trains.

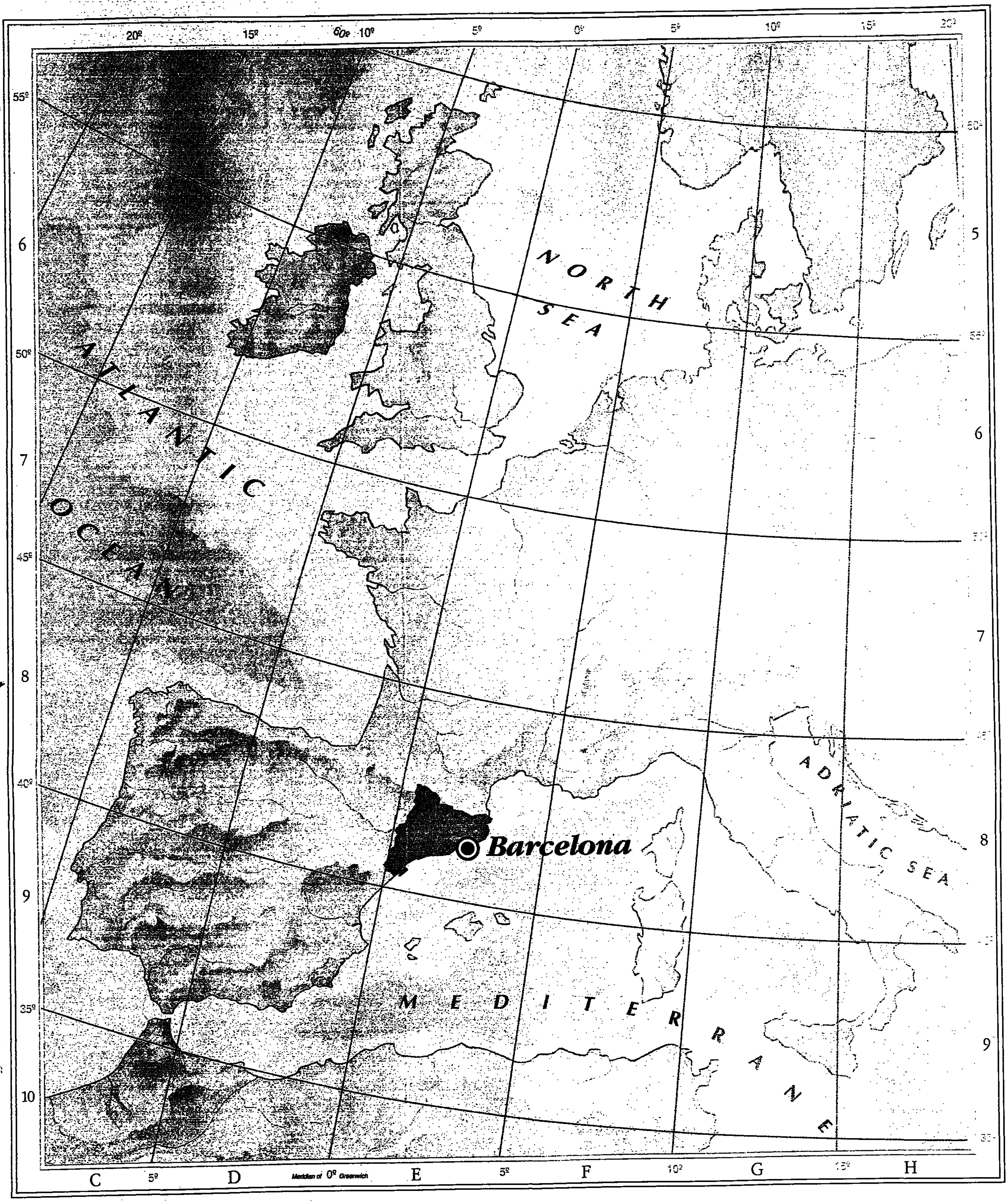
Fine outlook for forecasts

Eighty-four per cent of weather forecasts were accurate in the year to March 1992, the same level as the previous year, the Meteorological Office said.

The accuracy rate was helped by good weather and 1991 was the warmest year on record, the Met Office said.

Since it failed to predict the hurricane that swept parts of the UK in October 1987, the Met Office, a government agency funded mainly by the Ministry of Defence, has invested heavily to improve its forecasts' accuracy. Its new forecasting model, launched in the past year, which brings together weather forecasting and predictions of global climate change, cost £5m.

The Met Office cost the taxpayer – through the MoD – £71.1m in the year to March 1992, compared with £58m the year before.



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For further details contact the Joint Administrative Receivers: Scott Barnes and Roy Welsby, Grant Thornton, Grant Thornton House, Melton Street, Euston Square, London NW1 2EP Tel: 071 383 5100 Fax: 071 383 4715

Or contact their managers on site, David White on 021 552 9797 re Sonicare and Trent Automotive, and Andrew Wells on 0604 230493 re AVS (Northampton) Limited.

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- a main building (four stories above basement and ground floor) of 6151 sq.m. for use as a hotel:
  - 1 presidential suite;
  - 2 duplex suites;
  - 14 junior suites;
  - 64 double rooms;
  - 1 bar;
  - 2 restaurants;
  - 1 banqueting room;
  - reception rooms.
- One annexe building of 520 sq.m. called "Pavillon Rustique" comprising one floor with basement used for maintenance and lodging of staff quarters.
- One building of 242 sq.m. called "ancienne menuiserie" comprising one floor with basement used for technical building, linen room and administration.
- A beach club in an extension of the hotel grounds and on the sea front next to a 25 hectares pine grove, which includes:
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  - shops;
  - a restaurant with bridge terrace overlooking the sea;
  - a beach with fine sand.

The complex consists of land plots registered in Beauvallon under ref B2075, B2073, B2137, B2135, B416 (hotel: 31,519 sq.m.) and B417 and B418 (beach club 12,727 sq.m.).

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For all information, or site visits, please address inquiries to Emmanuel Douhaire, Administrateur Judiciaire, 58 Cours Pierre Puget, 13006 MARSEILLE, France.

All persons interested in the takeover of these businesses must make an offer to the Administrateur under the conditions of Article 83 of the law of 25 January 1985 no later than 15 August 1992.

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COMPANY NOTICES

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRS) IN PIONEER ELECTRONIC CORPORATION

EDR Holders are informed that Pioneer Electronic Corporation has paid a dividend to holders of record 31st March, 1992 of Yen 12.5 per Yen 50 Share of Common Stock, and the Depositary has converted the net amount after deduction of Japanese withholding taxes into United States Dollars.

EDR Holders may now present Coupon No. 13 for payment to the undermentioned agents.

Payment of the dividend with a 15% withholding tax is subject to receipt by the Depositary or the Agent of a valid affidavit of residence in a country having a tax treaty or agreement with Japan giving the benefit of the reduced withholding rate.

Failing receipt of a valid affidavit, Japanese withholding tax will be deducted at the rate of 20% on the gross dividend payable. The full rate of 20% will also be applied to any dividends unclaimed after 31st October, 1992.

Amounts payable per EDR of 1,000 Shares against Coupon No. 13

Gross Dividend	Dividend Less 15% Withholding Tax	Dividend Less 20% Withholding Tax
US$99.21	US$84.33	US$79.37

Depositary
Bank of Tokyo International Limited
London

Agent
The Bank of Tokyo (Lux.) S.A.
Luxembourg

17th July, 1992

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRS) IN JAFCO JAPAN ASSOCIATED FINANCE CO LTD

EDR Holders are informed that JAFCO has paid a dividend to holders of record 31st March 1992 of Yen 20 per Yen 50 Share of Common Stock.

EDR Holders may now present Coupon No. 6 for payment.

Payment of the dividend with a 15% withholding tax is subject to receipt by the Depositary or the Agent of a valid Affidavit of Residence in a country having a Tax Treaty or Agreement with Japan giving the benefit of the reduced withholding rate.

Failing receipt of a valid Affidavit, Japanese withholding tax will be deducted at the rate of 20% on the Gross Dividend Payable. The full rate 20% will also be applied to any dividends unclaimed after 31st October, 1992.

Amounts payable per EDR of 1,000 Shares against Coupon No. 6.

Gross Dividend	Dividend Less 15% Withholding Tax	Dividend Less 20% Withholding Tax
Yen 20,000	Yen 17,000	Yen 16,000

Depositary
Bank of Tokyo International Limited,
London

Agent
The Bank of Tokyo (Lux.) S.A.,
Luxembourg

17th July 1992

LEGAL NOTICES

In the supreme court of South Africa Durban and Coast Local Division. Case No 3802/92, 24 June 1992, before Hon Mr Justice Hurt in the matter of William John Saunderson-Meyer (first applicant) and Karen Jacqueline MacGregor (second applicant). Having heard Counsel for the Applicants and having read the Notice of Motion and the other documents filed of record, it is ordered: 1. That a rule nisi do issue calling upon all interested parties to show cause, if any, before this Honourable Court (sitting at the Supreme Court, Durban, the Republic of South Africa) on the 7 day of August 1992 at 09h30 or so soon thereafter as Counsel may be heard, why an order should not be made in the following terms: a) The applicants are granted leave to enter into a notarial contract in the terms set out in the document which is filed of record in these proceedings and marked as Y; b) With effect from the date upon which the applicants enter into such notarial contract, their future matrimonial property system shall be regulated by the terms thereof; c) This order shall not operate to the prejudice of creditors of the applicants in respect of debts, whether contingent or accrued, which come into being before the date upon which such notarial contract is registered by the Registrar of Deeds for the Province of Natal; d) The Registrar of Deeds for the Province of Natal: i) is directed to register the aforesaid notarial contract and ii) is further authorised to cause the title deeds of the immovable properties referred to in para 2.1 and 2.2 of the report of the Registrar of Deeds filed of record in these proceedings to be endorsed to the effect that the first applicant retains sole ownership thereof in accordance with the provisions of Sec 45 (bis) of the Deeds Registries Act, No 47 of 1937. 2. That a copy of this Order be published on or before the 17th day of July 1992: a) once in a daily newspaper circulating in Durban, Republic of South Africa; b) one in a daily newspaper circulating in London, England; and c) once in the Government Gazette of the Republic of South Africa. 3. The papers in this application shall be available for inspection from the date of the publication referred to in para 2 hereof at: a) the office of the Registrar of the Court; b) the offices of attorneys Shepstone & Wylie, Durban, Republic of South Africa; and c) 8 Beacon Hse, 78 Hemstal Rd, West Hampstead, London NW6 2AG, England. 4. A copy of this Order shall be sent by prepaid registered mail to each of the creditors of the applicants on or before 17 July 1992.

In the High Court of Justice No. 005138 of 1992
Chancery Division

IN THE MATTER OF
ROBUR ENVIRONMENTAL COMFORT SYSTEMS LIMITED
- and -
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 6th July 1992 confirming the reduction of the capital of the above named Company from £222,100 to £20,100 and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above-mentioned Act were registered by the Registrar of Companies on 10th July 1992.

Dated this 15th day of July 1992.
LOVELL WHITE DURRANT
65 Holborn Viaduct, London EC1A 2DY
Solicitors for the above-named Company

Notice of Appointment of Joint Administrative Receivers

HATHAWAY PINE FURNITURE LIMITED

Registered number: 1039224. Nature of business: Furniture Manufacture and Retail. Trade classification: 09. Date of appointment of joint administrative receivers: 9 July 1992. Name of person appointing the joint administrative receivers: Barclays Bank plc. Joint Administrative Receivers: DAVID R WILTON and IAN NAPIER CARRUTHERS (Office holder nos 292 and 814) Address: Cork Gully, 43 Temple Row, Birmingham B2 5JT

Notice of Appointment of Joint Administrative Receivers

QUESTMILL LIMITED

Registered number: 1349466. Nature of business: Furniture Manufacturer. Trade classification: 09. Date of appointment of joint administrative receivers: 9 July 1992. Name of person appointing the joint administrative receivers: Barclays Bank plc. Joint Administrative Receivers: DAVID ROBERT WILTON and IAN NAPIER CARRUTHERS (Office holder nos 292 and 814) Address: Cork Gully, 43 Temple Row, Birmingham B2 5JT

Notice of Appointment of Joint Administrative Receivers

OLD WORCESTER FURNITURE LIMITED

Registered number: 1566590. Nature of business: Furniture Manufacturer and Retail. Trade classification: 09. Date of appointment of Administrative Receivers: 9 July 1992. Name of person appointing the joint administrative receivers: Barclays Bank plc. Joint Administrative Receivers: DAVID ROBERT WILTON and IAN NAPIER CARRUTHERS (Office holder nos 292 and 814) Address: Cork Gully, 43 Temple Row, Birmingham B2 5JT

In The High Court of Justice No. 006588 of 1992
Chancery Division
Companies Court
Mr Registrar Buckley

In The Matter Of
BAeSEMA LIMITED
And In The Matter Of
The Companies Act 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 1st July 1992 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the Share Premium Account of the said Company by the sum of £20,640,814.94.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr Justice Millett at the Royal Courts of Justice, Strand, London WC2 on Monday the 27th day of July 1992.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of Share Premium Account should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Dated this 17th day of July 1992
Nabarro Nathanson, 50 Stratton Street, London W1X 5FL.
Ref: 1A/NJS/S1994/21 NIS0158
Solicitors for the above-named Company

Notice of Registration of Order and Minute
1992 No 2408P
THE HIGH COURT
In The Matter Of
IMPSHIRE THOROUGHBREDS PLC
And In The Matter Of
The Companies Acts 1963-1990

A special resolution was passed by Impshire Thoroughbreds plc ("the company") on the 16th day of January 1992 to the following effect: "that the capital of the company be reduced from IR£10,000,000 divided into 10,000,000 shares of IR£1 each to IR£2,000,000, and that such reduction be effected by cancelling capital which has been lost, or is unrepresented by available assets to the extent of IR£0.80 per share upon each of the 7,275,000 shares of the said 10,000,000 shares which have been issued and are now outstanding and by reducing the nominal amount of all the shares in the company's capital from IR£1 to IR£0.20." The said resolution was duly confirmed by order of the High Court dated 18 May 1992 and the said order along with the minute was duly registered in the Companies Registration Office on 18 June 1992.

Signed McCann FitzGerald, Solicitors
2 Harbourmaster Place, Custom House Dock, Dublin 1
Ref: TMcC

In The High Court of Justice No 00661 of 1992
Chancery Division

In The Matter Of
PLASMON LIMITED
And In The Matter Of
The Companies Act 1985

NOTICE IS HEREBY GIVEN that a Petition was on 3 July 1992 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the share premium account of the above company by £9,319.00.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr Justice Millett at The Royal Courts of Justice, Strand, London WC2A 2LL on Monday 27 July 1992.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of share premium account should appear at the time of hearing in person or by Counsel for that purpose. A copy of the said Petition will be furnished to any such person requiring the same by the Solicitors upon payment of the regulated charge for the same.

Dated 10 July 1992
S J Berwin & Co
236 Grays Inn Road, London WC1X 8HB
Solicitors for the above-named company

ART GALLERIES

KUNSTMUSEUM AND KUNSTHALLE Basel/Switzerland. transform Picture Object Sculpture in the 20th century 14.6. - 27.9.1992. Daily 10-17 h.

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Melanie Miles on
071 873 3308

FINANCIAL TIMES

CONTRACTS & TENDERS

INVITATION FOR BIDS

Loan No	: 2602 TU
File No	: 117-ISB/275
Order No	:
Date of issuance	: 17.7.1992
Bid Submission Date	: 1.9.1992

1. The TURKISH ELECTRICITY AUTHORITY, hereinafter referred to as TEK, has received a loan amounting 140.000.000 USD from the WORLD BANK in various currencies towards the cost of power Systems Operations Assistance project and part of the proceeds of this loan will be applied to eligible payments under the Contract (s) for which this invitation For Bids is issued.

2. The TURKISH ELECTRICITY AUTHORITY now invites sealed bids from eligible Bidders for supply of 4WD tarpaulin pick-ups and 4 WD station wagons.

All the above equipment shall be supplied according to the Bidding Documents.

Each bidder may submit a bid for any item of instruments or combination of items. All bids and combination of bids shall be opened and evaluated simultaneously in order to determine the bid or combination of bids offering the total advantageous solution for TEK. The bidders shall be allowed to offer a discount price for the combination of the contract.

3. Interested eligible Bidders may obtain further information from and inspect the Bidding Documents at the office of:

TURKISH ELECTRICITY AUTHORITY
General Management
Commercial Affairs Department
İnönü Bulvari No: 27 Kat: 1
Bahçelievler Son Durak
ANKARA/TURKEY
Telex: 42245 tek tr
Telefax: 3254

4. A complete set of Bidding Documents may be purchased by any Interested eligible Bidder on the submission of a written application to the above office and upon payment of a non-refundable fee of 300,-USD or 1.700.00,- (inc. VAT) TRL at the following address:

TURKISH ELECTRICITY AUTHORITY
General Management
Department of Finance
İnönü Blvari No: 27 Kat. 4
Bahçelievler Son Durak
ANKARA/TURKEY

Those Bids submitted by the Bidders who bid not purchase the Bidding Documents shall be rejected.

5. All bids must be accompanied by a bid security in an acceptable form of 3% (three percent) of the bid price and must be delivered to the above office on or before 14.00 hours on 1.9.1992.

6. Bids will be opened in the presence of those Bidders representatives who choose to attend at 14.00 hours on 1.9.1992 at the offices:

TURKISH ELECTRICITY AUTHORITY
General Management
Procurement Commission
İnönü Bulvari No: 27
Entrance Floor Block A
Bahçelievler Son Durak
ANKARA/TURKEY

Strategic alliances between companies are in vogue but **Christopher Lorenz** warns they can bring problems

Take your partner

Strategic alliances are seen almost universally these days as a "good thing" – like motherhood. But they are just as hard work. And they are by no means for everyone. These may seem truisms, but they need saying after this week's declaration by Jack Kuehler, president of IBM, that "you are going to see more and more alliances. They are the way of the future".

As part of its rejuvenation programme, IBM is signing up a remarkable number of partners. But the computer giant is far from alone in its enthusiasm. Its new $1bn joint venture with Toshiba of Japan and Siemens of Germany to develop advanced memory chips was unveiled on the same day as a $700m deal between Japan's Fujitsu and Advanced Micro Devices, a Silicon Valley chip-maker.

In a far from unusual week towards the end of June, no less than seven important international alliances were either unveiled for the first time, or strengthened further. They included: Electrolux and AEG (in household appliances); an Italian and a Japanese steel company; Renault and Volvo; IBM and Toshiba (in a different deal); Toshiba and Apple; Olivetti and Digital Equipment; Philips and JVC.

Such activity, say business academics from Harvard and elsewhere, is creating a "borderless world" in which companies change shape constantly in response to shifting circumstances. Rather than trying to do everything themselves, or just subcontracting selected work to each year's lowest bidder, they strip themselves back to the core – and sometimes beyond it – putting even prized activities into partnership with other companies which are often their rivals. Some of these partnerships endure, but most change with the wind – or, as in chips, with the shifting pace of technology and competitive actions.

In an era of fast-moving global competition, the apparent attractions of this strategy are obvious. High development and production costs (and risks) can be shared, as in this week's IBM deal. Critical "time to market" can be saved. Scarce human skills can be pooled. Access can be gained to difficult markets and distribution channels. Individual product gaps can be filled, and the scope of product lines broadened immensely.

On top of these advantages, alliances can be used as a politically acceptable precursor either to acquiring a new business, or to exiting from an old one – you merely sell it to your partner. Philips is an arch practitioner of this tactic.

So why the doubts?

Part of the answer is provided by Helmut Maucher, chairman of Nestlé. "I don't share the euphoria for alliances and joint ventures", he said last month. "First, very often they're an excuse, and an easy way out when people should do their own homework. Secondly, all joint ventures create additional difficulties – you share power and cultures, and decisions take longer." Hence Nestlé's very sparing use of alliances: its two main ones are with Coca-Cola in canned coffee and tea, and with General Mills in the breakfast cereals market.

In both cases, Nestlé is gaining valuable learning – a key to any alliance – as well as saving time and getting access to new markets. It is acting from positive motives, like most Japanese companies.

By contrast, the motivation of many western companies which enter alliances – especially with Far Eastern partners – tends to be negative, or at least defensive. They seem to believe that strength can be created out of weakness.

It seldom can, unless the weaker company uses the relationship not just to fill an immediate product gap, but also to revitalise its technology or other skills. Such learning is hard to accomplish. So is the necessary building of walls around the know-how that one wants to protect from one's partner. With its recent sub-contracting of small engine design to Yamaha, Ford could lose as much as it gains.

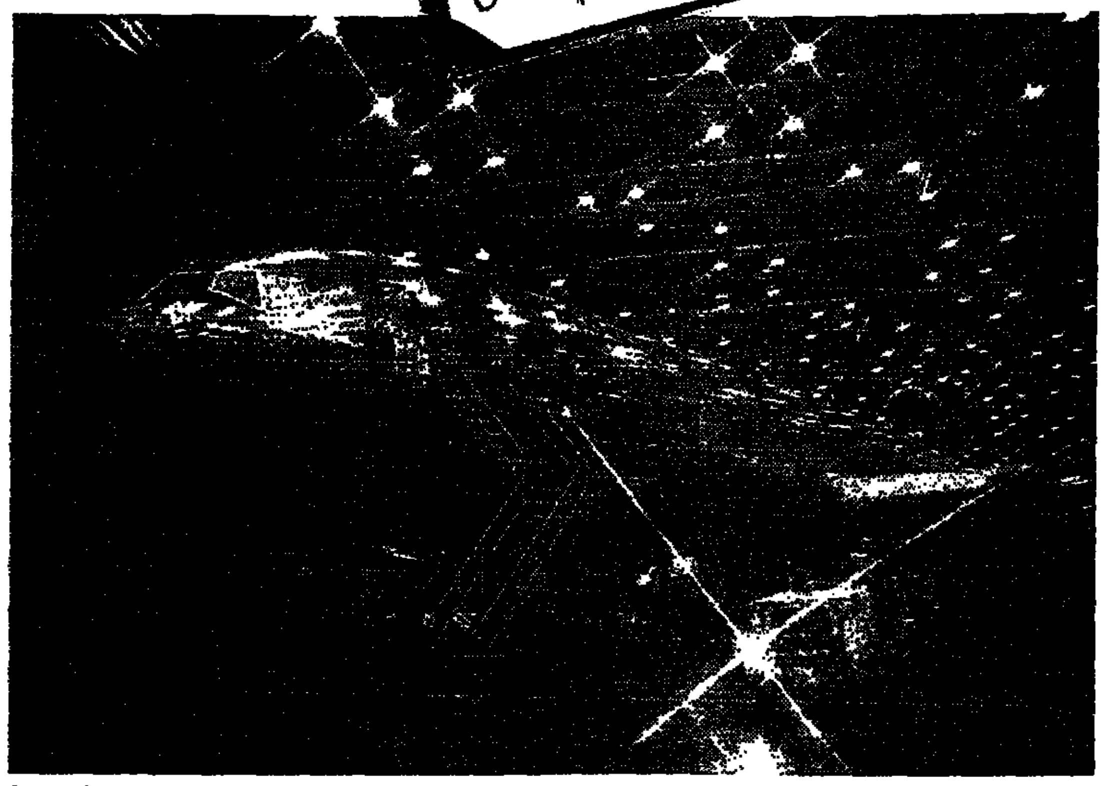
A more blatant case of co-operation out of weakness has been McDonnell Douglas' desperate bid to stay in the commercial aircraft business by giving Taiwan technology in return for massive subsidy.

The many pitfalls which confront international alliance partners, both weak and strong, have been the subject of several studies by consultants at McKinsey & Company. One of them, by two Germans, warns that co-operation may be part of a strategy, but that it is not a strategy in itself. "If managers focus on it to the exclusion of all stand-alone possibilities, they become vulnerable," say the authors.

Other McKinsey studies ram home the counter-intuitive point that it is a mistake for a strong company to ally with a weaker one. The latter often becomes a drag on the venture's competitiveness.

The latest research, to be published in the next issue of the McKinsey Quarterly, is even tougher. Focusing especially on alliance strategies for companies that are European "national champions", it concludes that:

- For weak companies, alliances are not a way to avoid sale. Defensive alliances complicate or even prevent an eventual sale.
- "Trojan horse" worries are justified, since most alliances are temporary, and end with acquisition by the stronger (or strongest) partner.
- Pursuing multiple alliances is a dangerous approach for European national champions which are simultaneously taking steps to improve their core businesses or which have little past experience with alliances. Succeeding at even one takes a lot of time and effort.



To stay in the commercial aircraft business, McDonnell Douglas gave Taiwan technology in return for subsidy

There is a further problem with the attitude of most western companies to alliances. Most see each deal individually, rather than as part of a network. Thus AMD, in its trumpeting of this week's agreement with Fujitsu, seemed to take little account of the Japanese company's extensive network of relationships with western companies, including ICL, Siemens and Amdahl. Does it understand how it features, and could be manipulated, in Fujitsu's global battle plan against IBM?

Equally, does IBM really understand where it figures in Toshiba's strategy of partnerships with all and sundry? The same applies within the US itself, to IBM's place in Apple's growing spider's web of relationships – and vice versa.

Alliances may give companies unprecedented flexibility. But, by the same token, they render them unstable. To revert to analogies from personal life, it is far easier to control one's destiny if one has just a couple of mutually compliant lovers than if one tries to run a series of ever-changing, one-night stands. For most companies, Nestlé's conservatism is a better model than IBM's promiscuity.

Customers form queue for chips in newspapers

Alan Cane reports how a UK company seeks success through direct sales of personal computers

The assembly line machinery comes from Taiwan, as do the printed circuit boards, but the finished computers are British. They are designed and built in a low rise development that would not seem out of place in California's Silicon Valley, but is actually only a hundred metres from London's busy North Circular road.

The manufacturer is Elonex, a six-years-old privately held company which is confounding those who doubt that the UK has a future in the personal computer business.

It is already sixth in the UK with a 4.6 per cent market share behind IBM, Compaq and Apple of the US, Olivetti of Italy and Britain's Amstrad. According to Romtec, the market consultancy, Elonex is the UK number one in direct PC sales, made through newspaper advertisements, mail order or personal recommendation without recourse to distributors or retailers.

Direct sales is the fastest growing segment of the PC market in the UK, echoing a trend in the US where computers are increasingly being sold on price alone. All the established manufacturers are having to deal with this rapidly expanding, low-priced end of the market where there is little difference between machines and where gross margins are wafer thin.

While the big companies struggle to find new strategies, Elonex has managed to grow and increase profitability through the recession. It is now increasing its profits at 25 to 30 per cent and last year it made some £10m pre-tax profit on sales approaching £60m.

Elonex's trading performance is not in itself enough to worry the PC industry's larger players. What should be giving executives at IBM, Compaq and even Dell – the US pioneer of direct selling – restless nights is the way Elonex seems to be able to master the fast-changing rules of the personal computer game.

Elonex applies three fundamental principles.

- Cost of sales is kept as low as practicable. Israel Wetrin, the company's managing director, studied electronic engineering at London University and spent time as a general dealer in Taiwan. He started the company selling clones built by the Taiwanese company Copam from his North London flat.

Prudent habits have stuck. He keeps cost of sales between 8 and 10 per cent of turnover and makes a net profit of between 10 and 17 per cent. Margins are fixed: savings in the costs of components are passed directly on to the customer. "This way we can put pressure on the big boys," Wetrin says. "Unless they can reduce their cost of sales from 40 to 10 per cent, they will never make it."

Comparisons are always difficult but one of Compaq's new low-cost range at £1,045 in the UK is still substantially undercut by a £835 Elonex with more features.

- Components are bought at keen prices. The bulk buying power of the large PC manufacturers is largely a fiction, it seems. The company is currently producing only 7,000 machines a month but Wetrin says: "Our purchasing power is about the same as IBM or Compaq. The only component larger companies can buy more cheaply is the microprocessor." Labour costs, for small or large companies, typically work out at only about 5 per cent of total manufacturing costs.
- Products are designed to give a competitive edge. Achieving product differentiation is hard at the low-cost end of the market. Elonex installed semi-automated Taiwanese manufacturing equipment but reckons it has little now to learn from Taiwan. The Taiwanese mass produce identical systems; each Elonex computer is built to a customer's specification, typically within five days.

It has established a research facility in Santa Clara, California, and has built relationships with the key component suppliers. It claims a good relationship with Intel, the US semiconductor company which supplies the majority of the microprocessors used in PCs.

The Elonex philosophy is well illustrated in the company's product strategy. The current range comprises chiefly desktop models and network servers, which, some might argue, represent yesterday's technology. The excitement in the industry is now focused on laptop and notebook PCs.

Desktop systems are selling well, however; the evidence is the Elonex despatch centre where lorry loads of boxed systems addressed to blue chip customers leave every night.

Elonex supplies a notebook made by another manufacturer but is about to launch its own design. Wetrin dismisses most of the currently available machines as poor on reliability and battery life. The new systems, scheduled for the end of August, will run for 14-18 hours on one battery charge through a novel choice of display screen options.

Elonex is already established in France, Belgium and Israel and will open in Germany this year. Wetrin sums up his strategy: "We are genuine with our customers and we pay our suppliers on time. We are the ones who worry Dell and Compaq so we must be doing OK." The success of Elonex may represent the beginning of a new era for British personal computers. Just behind it in market share is Opus Technology, a tiny company with British Rail as its largest customer, which is also profiting from the shift among customers to direct sales.

FT LAW REPORTS

No 'aircraft claim' immunity

KUWAIT AIRWAYS CORPORATION v IRAQI AIRWAYS AND ANOTHER
Queen's Bench Division
(Commercial Court):
April 16 1992

AN OVERSEAS state-owned company, properly served at its UK address with proceedings for delivery up of civilian aircraft removed from a foreign airport in a military attack, is not immune from the jurisdiction of English courts if the aircraft, though removed on government instructions, were to be put to commercial use.

Mr Justice Evans so held when refusing an application by the first defendant, Iraqi Airways Co. to set aside judgment obtained against it by Kuwait Airways Corporation for delivery up of commercial aircraft and damages. A judgment against the second defendant, the Republic of Iraq, was set aside on the ground of invalid service of the writ.

HIS LORDSHIP said that Iraq invaded Kuwait on August 2 1990. Kuwait airport was occupied by Iraqi military forces. At the airport were 15 aircraft owned by Kuwait Airways. Five were removed by the Iraqi air force.

The remaining 10 were civilian airliners. They were flown to Iraq on August 6-8. There they remained in the custody of Iraqi Airways.

When military attack on Iraq became imminent in January 1991, six of the aircraft were flown to Iran and interned. The remaining four were destroyed by raids on Iraq.

The present action was begun by writ issued on January 11 1991. Kuwait Airways claimed delivery up of the aircraft and damages for unlawful interference.

Judgment was entered in default of appearance against Iraqi Airways and the Republic of Iraq. Damages were assessed at $489.455m. Summonses were issued in which the defendants claimed extensions of time within which to give notice of intention to defend, and challenged the validity of service. Execution was stayed.

Iraqi Airways claimed immunity under section 14 of the State Immunity Act 1978.

It was common ground that Iraqi Airways was a "separate entity" for the purposes of section 14(2), which provided that a separate entity was immune from jurisdiction if the proceedings related to exercise of sovereign authority and "the circumstances are such that a state ... would have been so immune".

The scheme of the Act was such that a state had general immunity, except as provided in Part 1 of the Act which included, by section 3, "commercial transactions".

The government of Iraq had identified the 10 aircraft as required for civilian operation by Iraqi Airways.

There was no evidence to justify a finding that the purpose was governmental rather than commercial.

Iraqi Airways was not immune by reason of section 14(2).

Kuwait Airways submitted that Iraqi Airways had lost its immunity by submitting to the court's jurisdiction under section 2 of the Act.

Section 2(3) provided that a state was deemed to have submitted if it had taken any step in the proceedings. By subsection (4), that did not apply to "any step taken for the purpose only of – (a) claiming immunity".

Kuwait Airways asserted that Iraqi Airways had taken steps beyond those taken for the purpose "only" of claiming immunity, because it issued a summons and applied for stay of execution, and included in its present application grounds other than state immunity, ie objections to service, and *forum non conveniens*.

The applications were in substance objections to exercise of jurisdiction, and were alternative to the claim for state immunity. The section was not intended to make it compulsory that the immunity claim could not be heard at the same time as and in conjunction with other objections to jurisdiction.

The next issue was whether Kuwait Airways's claim was justiciable in English courts.

Iraq Airways relied on the principle in *Buttes Gas [1982] AC* that "the courts will not adjudicate upon the transactions of foreign sovereign states".

The authorities showed that certain issues could not be adjudicated, because the process of investigation and judgment would take the court into areas which the law recognised as the proper and sole concern of the government and of foreign sovereign states.

The submission necessarily failed in proceedings where the court had jurisdiction under the State Immunity Act because their subject-matter was a commercial transaction. There was no bar to jurisdiction over issues in respect of which Iraqi Airways was not entitled to state immunity.

The United Nations had established a compensation commission to consider claims against Iraq for damage and loss caused by the invasion of Kuwait.

Iraqi Airways submitted that by analogy with the *forum non conveniens* principle underlying *Spiliada [1987] 1 AC 460*, the court should refuse jurisdiction in favour of the commission.

The submission failed. There was no suggestion in the Security Council resolution that it excluded the jurisdiction of municipal courts.

Iraqi Airways relied on *Dallal [1986] 1 All ER 239*, where Mr Justice Hobhouse held that the court should recognise the competence of an arbitration tribunal established by treaty and authorised by municipal law with regard to nationals.

In the present case, there was no international forum equivalent to an arbitration panel; there was no relevant municipal law; and there was no exclusion of municipal law remedies.

The objection to jurisdiction was rejected.

Before August 2 1991, Iraqi Airways carried on business at premises in Regent Street, London. The manager was transferred to Baghdad in October 1990. When he left, Mr Dinha Isaac, an accountant employed at the office, was left in charge.

The writ was served on Mr Isaac at the Regent Street premises on January 11 1991.

Section 695 of the Companies Act 1985 provided for service of documents on an "oversea company" at the registered address, by leaving them at "any place of business established by the company in Great Britain".

By section 744, "oversea company" meant "(a) a company incorporated elsewhere than in Great Britain". By RSC Order 65 rule 3, personal service could be effected by service on the "clerk, secretary, treasurer or other similar officer".

Iraqi Airways was established by Law No 108 of September 26 1988. Article (1) provided that it was a "state-owned entity having a judicial personality and operated on profit and loss basis".

There was no doubt that Iraqi Airways was a "company" incorporated by statute in Iraq. Mr Isaac was the "acting manager" of its business at the Regent Street premises. Service was effective.

Ex parte leave to serve concurrent writs on the Republic was granted on January 11 1992.

Service was to be effected in accordance with section 12(1) of the State Immunity Act 1978 and RSC Order 11 Rule 7.

Section 12(1) required that a writ should be served by being transmitted through the Foreign and Commonwealth Office (FCO) to the Ministry of Foreign Affairs of the defendant state. Service was effected when the writ was received at the Ministry.

On January 12 1991, the FCO closed the British Embassy in Baghdad. Iraq broke off diplomatic relations as of February 6. The Iraqi Embassy in London continued functioning and on January 15 it was recognised as a diplomatic mission.

The documents were served on the Embassy in London and were received by an accredited diplomat.

Kuwait Airways contended that service took effect as service on the Republic.

Service under section 12(1) was effected by transmission "to" the Ministry and took effect when the document was received "at" the Ministry. In no sense was a diplomatic mission in a foreign state the same as the Ministry of Foreign Affairs of the sending state.

For Kuwait Airways: Anthony Clarke QC, Rosalyn Higgins QC and Joe Smouha (Clyde & Co).

For Iraqi Airways and the Republic: Richard Plender QC and Stephen Nathan (Landau and Scanlan).

Rachel Davies
Barrister

TECHNOLOGY

Louise Kehoe examines the race to build mega-memory devices and asks what advantages they will bring

Olympic chips go for the gold

An international team of some 200 semiconductor engineers is gathering in East Fishkill, about 70 miles north of New York, to begin one of the most ambitious projects in the history of the chip industry.

This élite group, drawn from the ranks of International Business Machines, Toshiba and Siemens, is to develop a 256 Mbit dynamic random access memory (D-Ram) – a data storage device for use in 21st century computers.

The 256 Mbit memory chip is the next grand challenge of semiconductor engineering. It represents a 16-fold increase in the storage capacity of memory chips and promises to transform computers into talking, thinking, listening machines that are different from anything that has gone before.

First, however, several critical technology hurdles must be overcome at an expected cost of $1bn (£500m). Hence the decision announced earlier this week by IBM, Toshiba and Siemens to share their expertise and divide the huge costs and very significant technological risks of this project.

The costs will be "generally shared" among the three partners, said Jack Kuehler, president of IBM. But there is far more than money at stake. For each of the participants, success is critical to their ability to remain leaders in the global electronics market.

"Time to market is the key issue," explains Kuehler. These champions of the chip industry have entered a race against world-class competitors from the US, Japan and Korea. And the company that brings 256 Mbit D-Ram technology to market first stands to reap huge rewards.

This semiconductor "Olympics" will test technological strength and financial staying power, with only the best in the world qualifying. The chipmakers are "going for the gold", but if today's dismal D-Ram market is any indication, they cannot be sure of winning many profits from the sale of this future generation of memory chips. Currently, D-Ram prices are slumping and supply is outstripping demand.

Why then pursue the 256 Mbit goal? The big payback may not come until long after this race is run. Like Olympic champions who are showered with lucrative commercial endorsements after the games, the winners of the 256 Mbit event hope to create technology that will reap long-term benefits.

The D-Ram is a "technology driver"; a proving ground for new generations of semiconductor production technology. The semiconductor structures, production tools and processes needed to cram 256m memory cells on to a silicon chip will go a long way towards enabling the development of logic chips, such as microprocessors, that are vastly more powerful than today's most advanced devices.

"Today we have the capacity to build chips with 2m or 3m circuits. What we are aiming for is a chip with more than 256m transistors," says Michael Attardo, IBM vice president and general manager of technology products. These "megachips" will combine logic and memory functions on a single chip, he predicts. "We are talking about a mainframe computer on a single chip; a single chip solution."

If a pocket-sized IBM mainframe does not sound appealing, think again. Megachips will make computers "much, much more friendly," Attardo maintains. The 256 Mbit technology will "overcome the barriers to enable computers to pervade the masses".

Can shrinking semiconductor circuits really change the world? History provides some powerful examples of the impact of chip technology breakthroughs. The 64 Kbit (64,000 memory cells) D-Ram, along with early microprocessor devices, spawned the personal computer.

Today's 4 Mbit and 16 Mbit memory chips, together with 16 bit microprocessors, provide the power for notebook-sized computers. Less well-recognised are the contributions of semiconductor technology in other types of "hidden" applications; inside cars, domestic appliances, medical instrumentation, factory robots, telecommunications equipment and a myriad of consumer electronics products.

By shrinking semiconductor circuits to less than half of their current size, chip makers will be able to make a quantum leap forward in the level of computing power that will fit into a matchbox.

The initial impact, however, will inevitably be in the computer field. Higher capacity D-Rams will enable low-cost computers to handle more sophisticated software, the coded instructions that control electronic "brains". Complex tasks such as speech recognition and electronic vision which currently require high-priced computer power, and even then frequently fail to live up to expectations, could become an everyday reality.

Thus the "personal computer" of the future will probably speak and be spoken to. The familiar computer keyboard may become an anachronism; something that you might choose to use when composing a written communication, but certainly not the primary man-machine interface.

Yet several technological barriers still stand in the way. The most challenging is to shrink semiconductor circuit elements. The "line width", the critical dimension of micro-miniature circuit patterns on a chip, must come down to 0.25 microns (a micron is a millionth of a metre), or about 1/300th the thickness of a human hair.

Today's most advanced optical lithography systems, in which circuit patterns are imprinted on silicon using a photographic-like process, are capable of getting down to line widths of about half a micron.

Until recently, many semiconductor researchers, including those at IBM, thought that it would be necessary to switch from optical lithography to X-ray lithography to create the minute circuit elements of a 256 Mbit D-Ram, greatly increasing the cost of manufacturing.

The latest research suggests, however, that it may be possible to fabricate all but a few critical levels of the chip's structure using highly refined optical methods. This is what the IBM-Toshiba-Siemens team aims to do.

Another crucial issue will be to ensure the intrinsic reliability of the semiconductor device as the size of individual transistors shrinks to the thickness of a few atoms.

The physical and electrical properties of such finely carved materials have been explored in laboratories but never before tested in a commercial product. There is also the challenge of avoiding defects. Although today's most advanced semiconductor plants are far cleaner than any surgical operating room, the chip plants of the future will have to be 100 per cent cleaner.

This will probably mean isolating equipment from human contact, which will require higher levels of automation. IBM believes that it will take four to five years to overcome these challenges and to develop a "production ready" 256 Mbit D-Ram.

Only then will decisions be made about where and by whom the new generation of chips will be put into volume production. Building a plant to manufacture 256 Mbit chips is expected to cost in the region of another $1bn.

Yet the 256 Mbit D-Ram is not the end of the story. Already, IBM and other chip makers have begun work in their laboratories on a 1 Gigabit D-Ram, with four times as much storage capacity again. The relentless pace of semiconductor technology progress demands that chip makers work on several generations of devices at once.

Thus, the 16 Mbit D-Ram has only recently gone into full-scale production, while 64 Mbit D-Rams are in the later stages of development. The 256 Mbit D-Ram development project has been initiated, yet research on a 1 Gbit chip is already under way.

The financial and technological risks are enormous. "To be competitive we cannot afford to wait until the development of one generation is complete before starting another," Kuehler explains. Neither can IBM and its partners wait until the chip design is complete before constructing a new plant for the next generation of chips. "To stay in the race we have to commit to using certain types of production tools even before we have completed development," adds Attardo.

Finding partners to spread the risks has become imperative. The ability to find the right partners and manage high-risk joint development ventures may well become the critical skill of the semiconductor industry of the next century.

Worth Watching · Paul Taylor

Video publishing put in the picture

The availability of low-price, high-performance personal computers, laser printers and sophisticated page composition software ushered in the desktop publishing revolution.

Now desktop video publishing has arrived with a plug-in card for Apple Macintosh PCs. Called VideoVision, it mixes computer graphics, text, video and sound. Tapes can be tailor-made for viewing on any standard VCR.

Previously, prohibitively expensive equipment was needed to produce professional-quality videotapes. But the single slot digital card – which costs £1,995 – has built-in video input, video output and 24-bit graphic display capabilities and an external connector panel for video and audio connections.

The card fits into a slot on any Macintosh or Quadra computer (except the Macintosh IIsi) and works with Apple's Quicktime multimedia software. Radius: US, 408 434 1010; UK, 0635 38531.

Blueprints go on the record

Blueprints used during the building of a plant are notoriously inaccurate because design changes made during construction are seldom recorded.

This means that when the time comes for maintenance and repairs, or the addition of new buildings and equipment, it is often necessary to measure and re-draw the plant and equipment – which is both time-consuming and costly.

But Blom, a Norwegian company, has developed a software program which converts photographs of a plant into up-to-date engineering drawings. First the plant and equipment is marked and systematically photographed.

Then the images are processed and, using the marks as anchor points, an accurate three-dimensional engineering database is generated. Blom: Norway, 4 67 88 00; UK, 091 451 1875.

Ultraviolet light shines on poisons

Scientists at PA Consulting Group's Cambridge laboratory have developed a fast, simple and cheap way of detecting poisons in water.

The method, called MUVS sensor, can tell in less than 15 seconds whether even a minute quantity of toxic contamination is present.

The MUVS sensor works by shining ultraviolet light on micro-organisms such as yeast. When the yeast are healthy they block most of the light, but if they become ill because of exposure to a toxin, they become more transparent.

All that is needed to measure whether water is contaminated is yeast, a strong ultraviolet lamp and a light meter. The sensor can detect a wide range of potentially poisonous materials including toxic metal residues and PCBs.

"The most immediate application of this sort of technology is in water monitoring," said William Bains, who developed the sensor. PA Consulting: UK, 0763 261222.

Weak muscles get a helping hand

Exercising the hands and forearms has obvious benefits for players of any sport requiring strong gripping or pushing actions.

It can also have therapeutic benefits, strengthening muscles suffering from inflammatory conditions, traumatic injuries or following surgery.

Tec'hand, developed with the help of rock-climber Patrick Erdlinger and manufactured by Tecmachine of France, is the first exercise machine designed specifically for the hand and forearm.

The portable machine works by eliciting controlled manual force and gripping actions and has safety features for weak muscles and tendons. Tecmachine: France, 77 36 56 27.

PEOPLE

Davis breaks record at Guinness

Crispin Davis (right) is a man on the fast track. Having joined Guinness just two years ago, he has been elevated to the main board at the tender age of 42, which makes him far and away the youngest executive director of Britain's fifth biggest company.

Davis is one of those marketing men who learnt their trade at Procter & Gamble's marketing school. Having joined P&G after Oxford as an assistant brand manager, he rose rapidly through the ranks and by 1978 was marketing director of the US consumer product giant's UK operations. During his time there he was responsible for establishing Ariel washing powder and Pampers disposable nappies as market leaders.

After a stint in the US, where he rose to be vice-president of the foods business, he was headhunted to run the European region of Guinness' United Distillers business. Tony Greener, who recruited him, has gone on to be Guinness' chief executive and the rapid promotion of Davis, currently managing director of United Distillers, suggests that he is being groomed as a possible heir apparent.

Guinness also announced yesterday that Austrian born Helmut Sihler, who retired as chief executive of Henkel Group last year, has been appointed a non-executive director. There is a certain irony in this appointment given that when Crispin Davis was running P&G's German operations his biggest competitor in detergents was Henkel's Persil.

Lord Howe, Britain's former foreign secretary and deputy prime minister, has underscored his reputation as one of the great and the good by being appointed a member of the international council of J P Morgan & Co, the most admired of the big US money centre banks.

The council, which is chaired by former US secretary of state George Shultz, advises Morgan's senior management on matters of international concern and interest. It meets approximately once every eight months, so it is not going to require a lot of Lord Howe's time. Even so, there is a certain kudos attached to membership of the council, whose 23 members range from ex-Bundesbank president Karl Otto Pöhl to Peugeot's Jacques Calvet. Lee Kuan Yew, a former prime minister of Singapore, has also been appointed to the council.

Apart from Lord Howe, the only other British member of the council is Sir Christopher Hogg, a director of the Bank of England and chairman of companies like Reuters and Courtaulds.

■ **Steve Bedford**, 36, group development director at STOREHOUSE, has been elevated to the board of the retailing conglomerate. His appointment reflects the growing influence of David Dworkin, the company's chief executive, as he builds a board of directors in his own image.

Bedford and Dworkin worked closely at BhS where they wrought a radical cultural revolution helping to restore the struggling variety chain's pride and profitability. It is now hoped that the duo can perform a similar trick on some of Storehouse's other laggardly performers, such as Habitat and Mothercare.

■ **Lord Weatherill**, former speaker of the House of Commons and MP for Croydon North East for 28 years until he stepped down at the last election, has joined UNITED ARTISTS COMMUNICATIONS (LONDON SOUTH) as a non-executive director. The company supplies cable television and telephone services in Croydon and its environs to 41,000 subscribers. It is part of TeleWest, a joint venture between Tele-Communications and US West.

Other non-execs

■ **Sir John Banham**, former director general of the CBI, as chairman of Labatt Breweries of Europe and a director of the Toronto-based parent JOHN LABATT Ltd.

■ **John Padovan**, deputy chairman of AAH Holdings, at WILLIAMS LEA GROUP.

■ **Alain Dromer**, senior vice-president and deputy head of CCF Asset Management, at FRAMLINGTON GROUP, of which Crédit Commercial de France is the majority shareholder.

Sir Paul Fox, former managing director of BBC Network Television, has joined a new international advisory committee set up by International Sports, Culture and Leisure Marketing of Lucerne.

The company is the marketing partner for sponsorship and marketing rights for the Olympic Games and other international sporting events.

Apart from Sir Paul, once editor of the Sportsview television programme on BBC and a keen horse-racing fan, the other members of the new committee are Luca di Montezemolo, president and chief executive of Ferrari, the sports car-maker, and Thomas Wyman, former president of CBS, the US broadcaster.

Hoping to crack ICE

Christopher Woodgate, who has quit as chief executive of London's IMI Securities, is one stockbroker who believes that institutional fashions are going full circle. He is betting on the swing back towards old-style partnerships by setting up ICE Securities.

A few years ago, London's established broking partnerships were swallowed up by large, mostly well-capitalised banks. Now, Woodgate thinks that boutiques like ICE, which opens for business in September, may once again be the way to woo clients in niche markets.

Woodgate, a veteran of several new broking ventures, set up IMI Securities, which specialises in Italian and Austrian stocks, in partnership with Italian financial services group Istituto Mobiliare Italiano, five years ago. Before that, he had been one of the founding partners of Carnegie International, the UK securities arm of Nordbanken of Sweden.

Roger Cunningham, previously senior dealer at IMI Securities, is joining Woodgate in the new agency broker and research operation which will concentrate on Italy and Central Europe, hence the name.

■ Meanwhile ex-Morgan Stanley man Guido Manca, who had recently joined as IMI Securities' head of sales, has been appointed chief operating officer of IMI Securities.

A wise man's gold

Susan Moore on the connoisseurship of Philip Pouncey

Myril and Philip Pouncey travelling by gondola on a research trip to Venice during the summer of 1953

THE glorious "Hommage à Philip Pouncey" at the *Musée du* Louvre in Paris accomplishes two goals. It is an affectionate tribute to the extraordinary achievement of an English art historian who without doubt knew more about Italian Renaissance drawing than any one ever has. It is also a celebration of the exacting if now unfashionable science – or is it art? – of connoisseurship.

When the editor of The Burlington Magazine dropped "for connoisseurs" from the title in 1948, he did so because the word connoisseur had come to conjure up a comic image of an "elderly gentleman in white bow tie and trim imperial... In one hand he holds a fat cigar and in the other a magnifying glass through which he peers knowingly at the contours of an oriental vase."

Today, connoisseurship itself tends to be dismissed as unimportant by proponents of the new art history. What these historians conveniently fail to acknowledge was well understood by Philip Pouncey and his great precursors, such as Bernard Berenson, and Crowe and Cavalcaselle. Familiarity with an individual artist's style to the point of being able to define it and distinguish it from that of another, is fundamental to any real understanding of art.

In the case of Renaissance drawings, almost none of which is signed or documented, an attribution to a particular hand is not easily attained. It may be established by an analysis of style – the "*handwriting*" of a draughtsman – or, when possible, by association with a known painting, which depends on extraordinary knowledge and visual memory. Even after this, a sense of quality is *required to distinguish original* from copy.

Stories of Mr Pouncey's feats of memory, and of his capacity to empathise with particular artistic personalities, have become legendary. There is the tale of the drawing of a crouching male nude by Bastianino, an obscure Ferrarese imitator of Michelangelo by whom no *drawings were known to survive.*

"If Bastianino had made drawings," declared Mr Pouncey, "this is exactly the sort of drawing that one would have expected of him." Sure enough, an altarpiece by the artist subsequently came to light containing a figure for which the drawing was a study.

He recognised another sheet as by the 16th century Veronese artist Domenico Brusasorci, and added that it looked like a study for a painting on slate. The relating picture was found in Hungary. Its support was, of course, slate.

Such off-the-cuff insights are witness to a rare combination of virtuosity and single-mindedness. They came out of *a passion for paintings* and drawings and after a lifetime of looking in the churches, museums, galleries and private collections of Europe and, latterly, the US – and of looking long and hard.

His French wife Myril, an equally indefatigable traveller and help-meet, recalls their itineraries. Holiday leave was always taken in one lump to make the annual trip longer and, given their very limited means, cheaper. It might include *spending every day* for three weeks in the Albertina in Vienna, but time in France and Italy was essential.

Myril arranged *Italian* trips around exhibitions and any artist Philip was particularly *interested in at the time.* A typical day would start with two churches before breakfast of a "cappuccino-brioche" – "we never sat in a café ever, it took too much time".

After churches and museums closed, there would be simple picnics of bread and cheese, and a siesta, before starting again when things opened in the afternoon. *If they did not* open, Philip was miraculous at procuring keys or custodians. Once, in Brescia, he was even embraced by a nun because he told her things she had not known about the life of the founder of her order, Santa Angela de Merici.

These were the days before the proliferation of the illustrated art book. Photography of interesting paintings and drawings had to be commissioned, and was expensive. It is not surprising that Philip Pouncey should have left the British Museum to go to work for Sotheby's in 1966, lured by the prospect of three months travelling a year and as many photographs as he wished.

Even when well into their 70s, the Pounceys – ever curious, and also ever generous with their expertise – could be seen returning to spend yet another day at an exhibition most other art historians had left after an hour or two.

Philip Pouncey dedicated his energies and his extraordinary gifts to establishing the drawn oeuvres of vast numbers of Italian artists who, when he embarked on his studies in the 1930s, were often no more than shadowy figures.

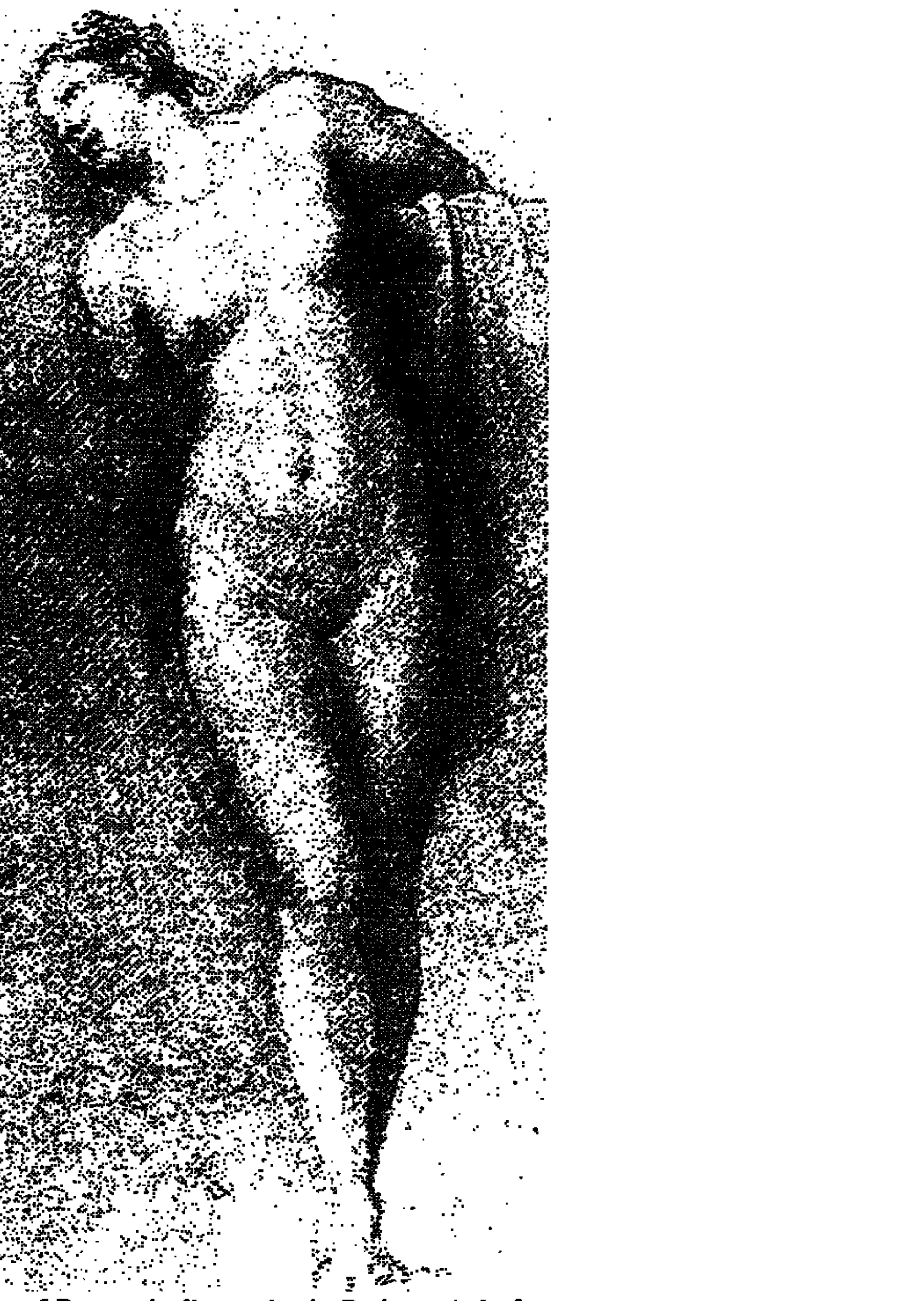
The discoveries he made, even in list form, make for a file of astonishing thickness. When he first visited the Cabinet des *Dessins* at the *Louvre* in 1946, for instance, the Italian drawings had never been systematically *studied. Thousands* of anonymous drawings languished in boxes filed not even by school or area, but by subject. Over the years, he gave an identity – and restored life – to some 500 sheets, 114 of *which are on show.*

As this exhibition eloquently reveals, he was not merely engaged in a pedantic naming of names, but was also, and more significantly, a prospector extracting nuggets of pure gold from the surrounding mud.

Glinting for our delight, for instance, is arguably the most beautiful and most miraculously preserved drawing by Sebastiano del Piombo, a quivering female nude study in black chalk, heightened with white, on blue paper. Its discovery also allows us to see the way in which the artist, not uncharacteristically for his age, hardened and stylised the girl in the finished painting.

We owe our knowledge of countless petit-maitres to the connoisseurship of Mr Pouncey. That is why it is so fitting that important drawings by *particular favourites* such as Coreggio, Peruzzi and Lotto should take a bow here. On show are two sheets by Lorenzo Lotto, an eccentric but great artist, almost all of whose known drawings were discovered by Philip Pouncey.

"L'oeil du connaisseur: hommage à Philip Pouncey" continues at the Pavillon de Flore, Musée du Louvre, Paris, until September 7. Further exhibitions of drawings attributed by Philip Pouncey (1910-90), are planned at the Uffizi in Florence at the end of this year, and at the British *Museum in 1994.*



One of Pouncey's discoveries in Paris: a study for *Sebastiano del Piombo's Martyrdom of St Agatha*

Avignon Festival

Le Chevalier d'Almédo

THIS year's Avignon Festival opened with the Papal Palace looking like a field of wheat ready to be harvested. Surely, I thought, they cannot be reviving *Oklahoma* in the Cour d'Honneur?

No, not quite – massed ears of golden corn waving in the breeze are what Llouis Pasquale sees as an appropriate *setting for a revival of Lope de* Vega's play about two unfortunate well-born young lovers called *Le Chevalier d'Almédo.*

Pasquale grew up in a small Spanish village in Catalonia where his father was the baker. Filial piety may therefore have influenced the choice of this background, sumptuously implemented by designer Ezio Frigerio. At first glance, it is an odd setting for a tale where all the intrigue takes place inside Don Pedro's house.

But in the event, the Van Gogh-like field of corn gives the play a much needed earthiness, compensating for its total reliance on the artificial Spanish 16th century codes of honour that governed the behaviour of the principals.

Although the villain is called Don Rodrigo, we are a long way here from the rhetoric of *Corneille's Le Cid. Lopez's* characters – Spanish nobility and their servants – do not indulge in those long outpourings beloved of their French counterparts. Although they speak their thoughts aloud in verse, they do so with simple-minded directness. The new French translation by the poet Zeno Biann captures well this basic verse-dialogue. The characters act more than they talk, impulsively as the blood dictates, and the action moves rapidly forward.

Four magnificent horses are the other great feature of the production. The hero Don Alonso appears at the start astride one of them, declares his infatuation with Dona Ines and canters off, only to return on foot to discuss with his servant how he may win her. By her father's design, she is already betrothed to Don Rodrigo. The hero then finds, wandering through the fields, one of those old women who for a small fee are prepared to pass messages between lovers, personages without whom Spanish drama of this period could surely hardly exist.

By a quirk of casting, the lively Fabia of Evelyne Istria is in this production of the same generation as the Dona Ines of Isabelle Candelier, matching her wilful innocence with the corrupt wisdom of experience. Soon she has wormed her way inside the house, surreptitiously passing on a *billet doux* from Don Alonso, and the creaking mechanism begins to unwind.

The old woman and her confederate, Tello, Alonsos's valet (Jean-Michel Dupuis) attack their roles with vigour. At one point they are disguised in clerical garb and spout Latin as the heroine purports to take the veil. Their solid vulgar presences tend to eclipse those of the ethereal lovers. Alonso is played by Jean-Marc Barr, the Franco-American actor who appeared with Vanessa Redgrave in *Orpheus Descending.*

The star of the evening is undoubtedly the production. Pasqual weaves the stagey events of the piece – a multiple duel, a ghostly haunting, a conversation through a grille, a bullfight offstage, a royal visitation – into a visually satisfying rural tapestry. Luckily Pasqual believes in the fatality of the play and communicates that belief uninhibitedly.

Anthony Curtis

Le Chevalier d'Almédo opened at the Papal Palace in Avignon and will be performed at the Odeon-Theatre de l'Europe in Paris from November 5.

Ray Charles

Gary Booth

IT IS hard to imagine a more emotionally intoxicating mix than soul and suffrin' music spiked with sentimental gospel.

If it is sung by a handsome blind man, apparently for you alone, and whose body language suggests he is deriving almost indecent pleasure from it, the effect *is evangelical.*

Ray Charles provokes this devotional state in audiences as a matter of routine, of course – alone at the piano or surrounded by strings and celestial choirs.

But fronting a hefty brass and rhythm section and with the divine Raelettes by his side is easily the most seductive setting for the man who can make people from Sussex feel homesick for Georgia.

Charles takes a lot of stick, *from people who should know* better, about his overt commerciality – the fact that he will advertise anything from charge cards to soft drinks and is strict about his terms of contract.

Presumably they would prefer him to stick to the basket-weaving skills he learnt inorder to earn his pin-money when a penniless child in Florida.

But Charles is the consummate professional who gives his fans exactly what *they crave, effortlessly. He* sings the ones they will come again for ("Georgia", "I can't stop loving you") and, from a huge repertoire, delights with surprise covers ("Some enchanted evening" and Ruth Brown's "Evr'y time it rains"). Surely someone who gives so much pleasure should be allowed some spin-offs.

The 61 year old voice is legend – and in great shape, ranging from gruff, rough velvet eructations through soothing C & W tinged soul *to pure blues shouting.*

The charisma of the man still harks back to monochrome footage of the joyfully demented puppet in sunglasses, black patent shoes and grey DJ, bent-double in pleasure and clutching at himself in excitement at the audience's own rapture. (Part of Charles' magnetism is surely induced by an anxiety that he might actually fall off his stool or somehow become parted from his instrument.)

The monogrammed stands of the Ray Charles Orchestra, whose horn section is staffed by implausibly big men, and the Raelettes, a rhapsody in black silk and hairspray, complete the vision of soul and showbiz in perfect harmony.

The glitzy style of the show might appear even more superficial 30 years on, but as an escape into sentimentality and "sadness like a ball game on a rainy day", it is precious trash.

The JVC Capital Radio Jazz Parade runs until July 18 at The Royal Festival Hall

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The Last Carnival

WHILE Derek Walcott's 1992 version *of The Odyssey* continues at The Other Place (RSC, Stratford-upon-Avon), his 1970 play, *The Last Carnival* opens at The Birmingham Rep. Vintage 1992 Walcott is far and away the better, although the 1970 is still robust theatre.

Walcott sets *The Last Carnival* (part of a post-colonial Caribbean trilogy) in Trinidad: an inland estate and the wharf at Port of Spain. In 1947, Aggie, a firebrand radical cockney governess arrives to instruct the children of a French Creole planter.

She sets about changing the plantation way of life, moving confidently between native Trinidadians, European settlers and the British administration.

But looking back on post-colonial Trinidad from 1970, eight years after independence, Aggie – now Agatha – becomes implicated in the island's complexities of race, culture, language and politics. Her original employer and sometime lover is now dead, and a Black Power *coup* overshadows Carnival this year. She has become more conservative.

Walcott's attention runs everywhere, and the play has no centre. The tensions arise from the possibilities inherent in Trinidad itself, a Spanish dominion with French settlers seized by the British in *1797. As one character says:* "All th' races of th' world here, an' if dey ain't get on here, dey ain't goin' get on anywhere."

Walcott allows the play's issues to dissolve back into the environment: national identity and cultural history are white burgundy at a cricket match under *a Caribbean sun. Political change* is seen as impossible, British rule continues in Trinidadian form.

Agatha the radical ends up crying, "Why can't you people do anything for yourselves?"

John Adams, in his final production at The Rep, directs with tact. The narrative-flashback form means that each scene becomes predictable, and the play builds slowly. Its strengths are not its plot or characters but its setting.

The versatile design, by Roger Butlin, incorporates a French past in one of Watteau's *Embarkation to Cythera* paintings and *a soundtrack* from Cantaloube's Auvergne folk settings. There are steel bands and cicadas, but not enough sweat, dirt or energy to make *the carnival season convincing.*

The actors move betweem creole, English, French and Trinidadian patois, a cool collation of accents. Jill Brassington and *Catherine Russell as Agatha* then and now hold the centre of the play, while Peter Woodward and Michael Bertenshaw (the creole planters) orbit around them. Lorna Laidlaw as the maid become minister of housing is a treat.

The key to the play is a poetic moment, a tribute to Caribbean time. When Aggie arrives, her host takes her watch – she will not be needing it – *and swings it over the water: "she knew* she had all the time in the world."

Andrew St George

Birmingham Rep (021) 236 4455, to August 1

INTERNATIONAL ARTS GUIDE

The Henry Wood Promenade Concerts open tonight in the Royal Albert Hall, London, with a performance of *Verdi's* Requiem by the BBC Symphony Orchestra and Chorus conducted by Andrew Davis. There are another 64 concerts before Sep 12, when the same conductor, orchestra and chorus will be joined by *Kiri te Kanawa,* Tatyana Nikolaeva and Scottish bagpiper George McIlwham for the traditional Last Night concert.

In tomorrow's concert of English music, Vernon Handley conducts *Vaughan Williams'* Sea Symphony, and Tasmin Little and Raphael Wallfisch are soloists in Delius' Double Concerto. Sunday's concert by the CBSO under Simon Rattle pairs Roberto Gerhard's complete music for the ballet Don Quixote with Janacek's Glagolitic Mass. On Monday, Alexander Lazarev and the BBCSO give the world premiere of James Dillon's new orchestral work, *and Helen Field sings* Strauss' Four Last Songs. The BBC Philharmonic, with its new chief conductor Yan Pascal *Tortelier*, gives Tuesday's and Wednesday's concerts, which include the world premiere of a new viola concerto by Simon *Holt, plus* Holst's The Planets and Saint-Saens' Organ Concerto. Next week the Cleveland Orchestra arrives for two concerts, and Andrew Davis conducts a semi-staged performance of the Glyndebourne production of The Queen of Spades.

In coming weeks, John Casken, Elena Firsova, James MacMillan *and David Sawer all have new* compositions premiered at the Proms. Other highlights include an Ives and Dvorak programme conducted by Libor Pesek (July 29), a Wagner concert conducted by Klaus Tennstedt (Aug 20), Rostropovich conducting the European Community Youth Orchestra (Aug 22), the Mike Westbrook Orchestra in Big *Band Rossini (Aug 30),* Anne Sophie Mutter playing Berg's Violin Concerto (Sep 4) and Gunter Wand conducting Bruckner's Eighth Symphony ((Sep 5). Visiting ensembles include the Moscow Soloists *with Yuri Bashmet* (Aug 19), the St Petersburg Philharmonic with Jansons and Temirkanov (Aug 25 and 26), the Concertgebouw with Chailly (Sep 2 and 3) and the Vienna Philharmonic with Abbado and Boulez (Sep 9 and 10). Tickets can be booked by phone from the Royal Albert *Hall from 09.00 to 21.00 seven* days a week on 071-823 9998.

EXHIBITIONS GUIDE

■ BALTIMORE

Museum of Art Design 1935-65: What Modern Was. The exhibition includes furniture, textiles, tableware and jewellery, charting the course of Modernism during a period of great political change. Ends Aug 2. Closed Mon and Tues.

■ BARCELONA

Fundacio la Caixa Avant-Garde Movements in Catalonia 1906-39: the role played by Picasso, Duchamp, Miro, Dali and others in international artistic developments (in La Pedrera building). Ends Sep 30. Also Sport in Ancient Greece. Ends Aug 9.

Museu Picasso Alexej Jawlensky *(1864-1941). Ends Sep 27. Closed* Mon.

Fundacio Joan Miro Moving Image - Electronic Art: 30 works, including large-scale installations, by 18 internationally renowned artists, representing the latest developments in art media. Ends Sep 6. Closed Mon.

■ GENEVA

Musee d'art et d'histoire Drawings by Liotard (1702-89): 100 works by the Swiss pastellist *who ranks as one of the most* sensitive, least classifiable rococo artists. Closed Mon. Ends Sep 20.

Cabinet des Estampes *Dali* - true or fake. A study of the authenticity of paintings and drawings attributed to the *Spanish Surrealist artist and* dating from the early 1930s. Ends Oct 4. Closed Mon.

Petit Palais Louis Valtat and the Fauves: 50 paintings, with a special focus on Valtat (1860-1952), a precursor of the Fauves. Ends Oct 30. Closed Mon.

■ LAUSANNE

Musee Cantonal des Beaux-Arts Adolphe Appia (1862-1928): a collection of drawings by the *influential Geneva-born artist* and stage designer. Ends Nov 1. Closed Mon.

Fondation de l'Hermitage Odilon Redon (1840-1916): 200 works by the French Symbolist painter whom the Surrealists regarded as a *precursor*. Ends Sep 21. Closed Mon.

■ LEIPZIG

Museum der bildenden Kunste The 19th century in Munich: 250 paintings and drawings. Ends Aug 16. Closed Mon.

■ LONDON

Royal Academy of Arts Alfred Sisley (1839-1899): 65 landscapes by the quintessential Impressionist. Ends Oct 18. *Daily.*

National Gallery Manet: The Execution of Maximilian. Advance booking through First *Call 071-497 9977*. Ends Sep 27. Daily.

Wildenstein & Co Marevna and Montparnasse: an exhibition *covering the work of Marevna* and her friends 1912-42. Ends Sep 16. Closed Sat and Sun (147 New Bond Street).

Courtauld Institute Drawing in Bologna 1500-1600. Ends Aug 31. Daily.

Tate Gallery George Baselitz (b1938): prints 1964-90. Ends Nov 1. Richard Hamilton. Ends Sep 6. Also Turner and Byron: *70 works exploring Turner's* interest in Byron's poetry. Ends Sep 20. William Blake: the apprentice years. Ends Aug 16. *Daily.*

Hayward Gallery Magritte. Advance booking on 071-928 8800. Ends Aug 2. Daily.

■ MUNICH

***Kunsthalle** Caricature and* Satire: 500 years of pictorial comment on contemporary life and politics. Ends Aug 9. Daily.

Stadtmuseum Bruno Paul (1874-1968): German interior decoration and architecture between Jugendstil and the Moderns. Ends Sep 20. Closed Mon.

■ NEW YORK

Guggenheim Museum The Guggenheim Museum and the art of this century. Closed Thurs. *Ends Aug 27.*

Metropolitan Museum of Art The Art of Islamic Spain. Ends Sep 27. Closed Mon.

***Museum of Modern Art** Louis* I Kahn: large-scale retrospective devoted to the most important American architect since Frank *Lloyd Wright.* Ends Aug 18. Closed Wed.

The Drawing Center Guercino: an exhibition of 60 drawings. Ends Aug 1.

Whitney Museum of American Art The Paintings of George Bellows (1882-1925). Ends Aug 30. Closed Mon.

■ PARIS

Centre Georges Pompidou Manifeste: 7000 square metres given over to a multi-faceted *exhibition covering the past 30* years of creativity in visual arts, video, cinema, architecture and design. Closed Tues.

Parc de Bagatelle Henry Moore: 27 large bronze sculptures in the kind of open-air landscape *for which they were intended.* Ends Oct 4 (Bois de Bologne).

Galerie Didier Imbert Henry Moore Intime: 500 works which formed the artist's home environment. Ends July 24. Closed Sun (19 ave Matignon).

Louvre The Eye of the Connoisseur: Homage to Philip Pouncey. The exhibition commemorates the Old Master *drawings expert who died in* 1990, and includes drawings by Correggio, Bandinelli, Lorenzo Lotto and others. Ends Sep 7. Closed Tues.

***Musee Guimet** From the Tagus* River to the Chinese Sea: a Portuguese maritime epic, with ceramics, porcelains and gold *brocade recalling* the *magic of* Portuguese commercial links with the East Indies from 1513. Ends Aug 31. Closed Tues (6 place d'Iena).

■ WASHINGTON

National Gallery of Art Art of the American Indian Frontier: 150 objects produced by Woodland and Plains Indians in the 19th century. Ends Jan 24.

Durer to Diebenkorn: 114 *recent graphic art acquisitions,* including Holbein, Goya, Gainsborough and Caspar David Friedrich. Also Kathe Kollwitz (1867-1945). Ends Aug 16.

Ernst Ludwig Kirchner, German expressionist. Ends Aug 16. Jacques Callot: etchings and engravings by the early 17th century French printmaker. Ends Sep 7. Daily.

Corcoran Gallery of Art Max Weber: the Cubist Decade 1910-20, featuring 64 works with emphasis on city views. Ends Aug 9. *Closed Mon.*

Arthur M Sackler Gallery Masterpieces of Mesopotamian Art from the Louvre: more than 30 objects, including engraved gold plaques, fragments of monuments and carved stone *excavated by 19th century* French archaeologists in the Middle East. Ends Aug 9. Daily.

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Friday July 17 1992

Stay in the ERM vice

THE BUNDESBANK appears to have achieved the seemingly impossible. By raising the largely symbolic discount rate by three quarters of a percentage point, it has sent an emphatic signal of anti-inflationary resolve, but without forcing up European interest rates. Yet Europe's finance ministers should allow themselves only shallow sighs of relief. The Bundesbank intends to rein in German credit growth, and further monetary tightening may yet be necessary.

The Bundesbank remains beyond reproach. A four per cent inflation rate is intolerably high for an institution committed to price stability. By leaving money market rates unchanged, and instead biting into the profit margins of Germany's banks, it is attempting to slow the pace of bank lending at the minimum cost to its partners in the European exchange rate mechanism.

Yet the Bundesbank council has also staked its anti-inflationary credibility on hitting the reconfirmed broad money target range before the year-end. This will be almost impossible; and the gap between the Lombard rate ceiling and discount rate floor is now so narrow that a rise in the Lombard rate may soon be necessary.

The prospect of lower European interest rates this year thus looks increasingly remote, while the possibility of higher rates remains. Economic growth outside Germany may be slow, and unemployment rising fast, but monetary policy looks set to remain punishingly tight well into 1993. Nor are there any easy solutions. No ERM member has managed to maintain lower rates than Germany for any significant period of time, and no country appears willing to try; while a unilateral devaluation would deliver nothing but lost credibility and higher rates.

Equal partner

A general realignment, which revalued the D-Mark, offers a theoretically more attractive, but politically impossible, alternative. France must join any realignment that is to deserve this label. But economically, France has no compelling need to do so, and politically it would involve both loss of face and a catastrophic weakening of France's desire to be an equal partner with Germany in shaping the future of the European Community. Nor dare Italy consider talk of a devaluation, however necessary, until it has first put its fiscal house in order. Accordingly, it used yesterday's opportunity to raise its interest rates.

Double defeat

Any European country which wants to reduce interest rates below those of Germany can do so only outside the ERM. Those in Britain who would cut rates must acknowledge this inevitability. A case can be made for such a British exit. The UK is suffering a deeper and longer recession than any other developed country. An independent Bank of England could, at least in theory, do as good an anti-inflationary job.

Yet for the current government to leave the ERM now would be to admit a double defeat. Entry to the ERM, in October 1990, signalled both a political desire to be at Europe's centre and an unrelated economic desire to secure low and stable inflation after the errors and convulsions of the 1980s.

Neither task is complete. Europe's political future may be uncertain: the ERM might not survive a popular rejection of the Maastricht treaty at the forthcoming French referendum. But departure from the ERM now, during Britain's EC presidency and with the future of Maastricht so uncertain would squander to no purpose the UK's position of growing influence in Europe's future. Nor has the government met its objective of low and stable inflation. Although the annual growth rate of average earnings has finally fallen below the 7 per cent barrier, it remains unsatisfactorily high.

The government should ignore the siren voices within its ranks. Low inflation, regardless of the European political context, must remain the government's central objective. Only when inflation has fallen below 3 per cent, and unit labour cost growth below 2 per cent, will it have met this objective; for the present. The ERM provides the most credible means of achieving it. The government must press on until it has achieved the kind of inflation targets it would set an independent Bank of England. For now, there is no alternative.

From fraud to farce

THE COURT of Appeal's decision yesterday to clear the four corporate financiers who were convicted for lying about the outcome of the Blue Arrow rights issue in 1987 can only be construed as a serious blow to the credibility of Britain's system of criminal justice in its handling of wrongdoing in the City. That much is clear, even before the detailed explanation of the Appeal Court's reasoning emerges in public. In the wake of the hopelessly unsatisfactory outcome of the Guinness trials and a whole series of setbacks for the Serious Fraud Office, it is legitimate to ask whether such farcical proceedings should not be dispensed with. At the very least, some radical reconsideration of the way the law applies to the City is called for.

For all its many merits, the 1986 Roskill Committee report tended to divert the argument about fraud trials on to the question of jury competence in technical financial matters. Yet the Blue Arrow defendants' case in the Appeal Court was directed more at the competence of the judge and prosecuting counsel. In essence, it asserted that the trial was unfair because of the weight and complexity of the case that the prosecution chose to put before the jury, and because the judge had instructed the jurors to ignore 75 per cent of the evidence they had heard – this, incidentally, in the course of one of the longest and most expensive trials in history.

Better ways

It was not, admittedly, reassuring that the jury's verdict in the Blue Arrow trial appeared to fly in the face of the summing up of Mr Justice McKinnon. But nor does it follow from this that the jury failed to grasp the issues. In the final analysis, all fraud trials require the jury to make a judgment about whether people are telling the truth. There may be better ways of eliciting the truth than those that prevail in British courts; but there are good grounds for thinking that Roskill's proposal to hand the job to a judge, supported by expert lay assessors, would be worse.

The most likely people to fill the role of expert assessors would be lawyers, accountants and City practitioners of one kind or another. They would be less than human if they did not identify more closely with City people in the dock than a jury would be inclined to do. They might well weigh, consciously or subconsciously, the implications of convicting a City figure for their wider business interests. The Roskill solution would simply be a retreat back towards the club ethic under a legal guise.

Obvious victims

The more fundamental question concerns the appropriateness of criminal proceedings in dealing with the City's particular forms of white-collar crime. Clearly where there are obvious victims, as in the case of the Maxwell pensioners, jury trial is the correct answer. In less clear-cut cases it has been suggested that civil rather than criminal proceedings might be more appropriate. Yet civil remedies inevitably raise difficulties where, as in insider dealing scandals, the losses may be difficult to establish. So, too, in cases where markets have been rigged, although it is not always impossible: injured parties have successfully sought redress over Guinness's takeover of Distillers and the Blue Arrow rights issue.

The more important question is whether crimes in which there are no immediate victims with quantifiable losses merit a jail sentence at all. The chief damage at Guinness and Blue Arrow, apart from the financial losses for which people successfully sought redress through civil proceedings, was potentially to the employers of the individuals who stood in the dock and to the integrity of London markets. There is room for debate whether heavy fines and disqualification procedures which deprive wrongdoers of their former livelihoods may not be sufficient deterrent against such activity.

Either way, effective justice is most unlikely to emerge from trials that take place years after the event and in which the charges are both excessive and absurdly complex. Speed must be the essence of whatever system is put in the place of the absurdly expensive and arbitrary circus that now dictates the fate of those involved in City and business scandals. The government should put the job in hand.

The Bundesbank is simply doing the job that other European countries joined the ERM for it to do, writes **Martin Wolf**

Heat is on in the monetary kitchen

On Monday, at the meeting of the European Community's finance ministers, Mr Norman Lamont of the UK and Mr Michel Sapin of France gave the Germans a lesson in how independent they think a central bank ought to be. The Bundesbank has replied.

"My deep conviction," argued Mr Sapin, "is that the Bundesbank is not outside reality, and that the reality is that interest rates are too high." Where Mr Sapin blustered, Mr Lamont merely hoped. But the behaviour of both was absurd. The Bundesbank is simply doing the job that other European countries joined the exchange rate mechanism for it to do.

The Bundesbank has a consolation for its unpopularity. German unification has given the institution, threatened as it is by extinction before the end of the decade, an excuse for shaking the European monetary tree to see who falls off. By raising its floor rate of interest, the discount rate, from 8 per cent to 8.75 per cent, while retaining the 3½-5½ per cent target for growth of broad money, the Bundesbank did a little more shaking yesterday.

The fears of the ministers were understandable. Economic growth in Europe, excluding Germany, was only half a per cent last year. This year it is forecast by the Organisation for Economic Co-operation and Development (OECD) to be a mere 1½ per cent.

Unfortunately, the consequences of German unification cannot be readily evaded. As the OECD's recent report on Germany notes, "since unification, all aspects of economic policy – fiscal, monetary and structural – have been under increasingly intensive pressure". The questions to be asked are not just how the pressure is making itself felt externally, but how long it will last and what, if anything, can be done to relieve it.

In 1991 west Germany's gross national product per head was DM41,900 (£13,900), while east German GNP per head in 1991 was only DM12,100, less than 30 per cent of the west German level. Initially, the inequality had not appeared so huge. East German gross domestic product per head was measured at some 60 per cent of the west German level in 1989. But eastern Germany lost 45 per cent of its GDP between 1989 and 1991 (see chart), perhaps the biggest slump to befall an economy in peacetime. Over the same period west German GDP rose by 8 per cent.

To those who had it was given. But then an effort had to be made to take some of it away. East German private consumption alone was as big as its total GNP in 1991. Total expenditure – public and private consumption plus investment – was nearly 90 per cent larger than its GNP. The difference was made up by west Germany, this inflow of resources being equal to 6½ per cent of west German GNP.

A little over two thirds of the resources transferred to east Germany have, in fact, come out of west Germany's external surplus. This shift was at the expense of the rest of the world, and mainly of western Europe. Given their complaints about Germany's trade surpluses, however, it is difficult for these countries also to moan about their disappearance.

Contrary to what one might suspect, there has been no reduction in the overall west German standard of living. On the contrary, it has risen almost as fast as west German GNP, as has west German real disposable income, by 6.3 per cent in 1990 and then 2.2 per cent in 1991.

The domestic conduit for the resource transfer from the external account to east Germany has been the fiscal deficit (see chart). That deficit, in turn, has helped to generate higher long-term interest rates, which have served as a floor for European rates. At their peak, German long-term interest rates were almost three percentage points higher than in 1985 and two percentage points higher than in 1989.

Short-term rates of interest are higher still. The unification-induced expansion of the west German economy, combined with the large fiscal deficits, has created both inflationary pressure in the labour market – between 1990 and 1991 wage costs per employee rose by more than 6 per cent – and rapid monetary expansion (see chart).

The monetary policy stance can best be captured by whether short-term rates of interest are above, or below, long-term ones. By this criterion, German monetary policy is tight, as is that of France and the UK. In other leading industrial countries short-term interest rates are below long-term ones. Europe is stepping on the monetary brake; the rest of the developed world is pressing on the accelerator.

The UK government currently pats itself on the back for getting its short rates of interest to a quarter of a percentage point above the German. But Canadian and Australian short-term rates are more than four percentage points below the German. Japanese and US short-term rates of interest are lower still.

If challenged, the Bundesbank will argue that the remaining countries of western Europe have no right to complain. Combined with the high level of long-term interest rates, German monetary policy is driving down European inflation. And so, asserts the Bundesbank, it should. Not a single European country has, after all, had a rate of consumer price inflation below 2 per cent over the last year.

Unfortunately, the leading European countries other than Germany have either managed only modest improvements in inflation performance since the end of 1989, or paid a high price for their gains. In terms of the relationship between inflation and unemployment, Italy, the UK, Spain and even France are in a far worse state than the other top industrial countries, including west Germany. The ERM may work, but it has been no panacea for Europe's economic ills.

How long might this squeeze last?

German monetary policy will remain tight until German inflation falls back to what the Bundesbank sees as tolerable levels. Wage increases in 1992 are likely to be about 5¾ per cent, says the OECD. While better than last year's figure, this is still considerably higher than the 4-5 per cent that the Bundesbank would want.

Furthermore, the OECD argues that inflation will fall only slowly to the Bundesbank's desired level. Thus it forecasts consumer price inflation at 3½ per cent in western Germany, even in 1993. The continued buoyancy of the west German economy, plus the recovery that is slowly beginning in the east are likely to make the Bundesbank extremely cautious, with the money supply numbers giving it the excuse to do what it wants anyway. Consequently, significant reductions in German short-term interest rates may not occur even in 1993.

Quite apart from its determination to maintain credibility, the Bundesbank has yet another reason for its caution: fiscal prospects. Continued substantial fiscal deficits will also ensure that German unification will play an important role in keeping long-term interest rates high, not only in Europe, but worldwide.

It is true that the general government deficit last year was only 3 per cent of all-German GNP. It is true also, that the federal government has put forward a stringent budget, with nominal outlays rising by a mere 9¼ per cent between 1992 and 1996. But there is less to this stringency than meets the eye: first, because net borrowing by the west German post office, the railway, the Treuhandanstalt (the agency charged with east German privatisation) and social security is very large; and second because the government is unlikely to meet its targets, in any case.

Deutsche Bank, for example, forecasts the total public sector borrowing requirement at 6 per cent this year, 5½ per cent in 1993 and 4½ per cent in 1994. The result would be a ratio of total public sector debt to GNP of 57.5 per cent by the end of 1994, an increase of eight percentage points in three years.

East Germany is, in any case, bound to remain a large drain on the German capital markets. This will be so whether it be through fiscal forecasts transfers or through private investment, should growth take off. If east German growth were to be as much as 8 per cent a year and west Germany's only 2 per cent, it would still take some 20 years for GDP per head to converge. For much of that period resources will be transferred, one way or the other, from the west to the east.

Prospects for the rest of Europe are bleak. High interest rates and slow growth may help to lower inflation, but they will also tend to raise fiscal deficits. Convergence on the way to Emu looks a hard road, with no certainty that Germany will even be there to greet the travellers at the end of their journey.

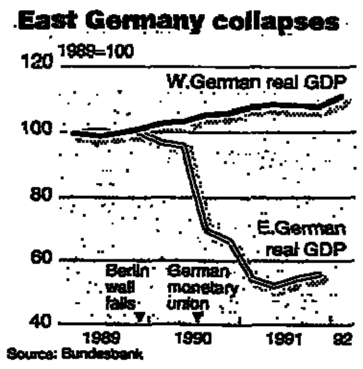
Can anything be done beyond travelling on? There are fewer choices than many hope.

- High long-term rates of interest cannot be evaded. If anything, depreciation is likely to raise the long-term rates of interest of the depreciating countries.
- A German realignment would not lower European short-term rates of interest unless the Bundesbank takes the opportunity to lower its own rates. Given the domestic pressures, there can be no guarantee it will.
- The D-Mark could float. But this would probably be the end of the march to Emu, on which the French have put so much store. What is more, there is no reason for France, which has a far better adjusted economy than the other large European countries, to make that choice.
- Realignments of weak currencies within the ERM are unlikely to lower either their short- or long-term rates of interest.
- What is left is leaving the ERM altogether, a choice that would be seen as a decisive defeat.

German unification has merely meant that what was already bound to be a tough journey to Emu has become tougher still. But the Germans would argue, quite rightly, that all that is now being demanded is the achievement of the sort of macroeconomic performance that they have long taken for granted. If other countries do not like the heat, they should perhaps get out of the *Bundesbank's kitchen. Unfortunately* for them, anywhere else is likely to be quite as hot.

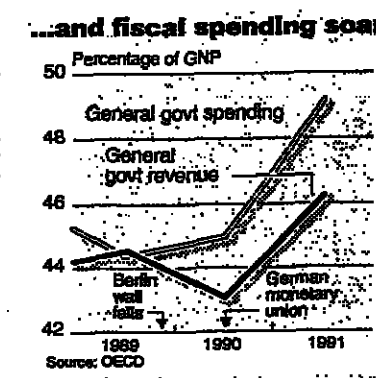
Level during month, seasonally adjusted

East Germany collapses



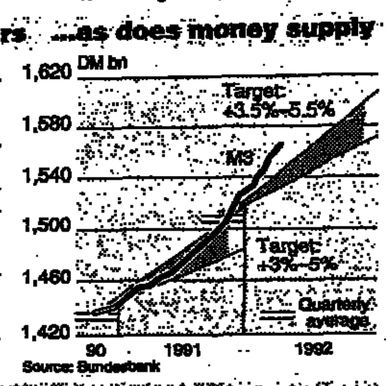
Source: Bundesbank

...and fiscal spending soars



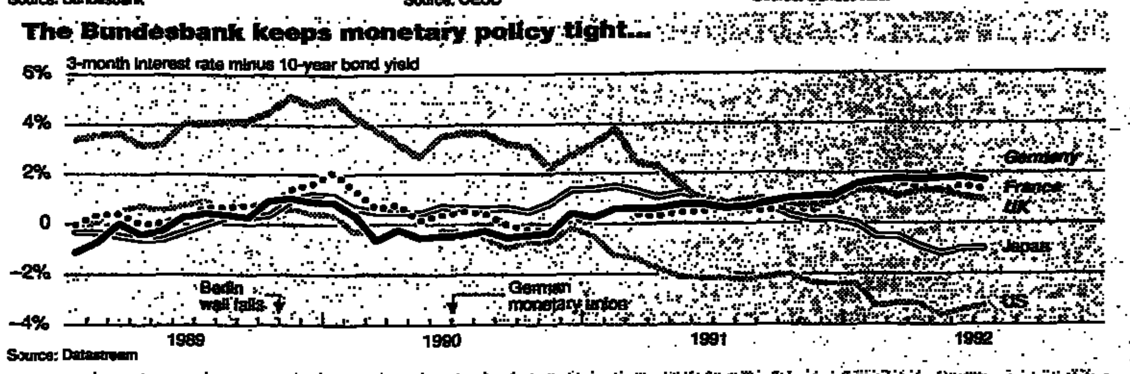
Source: OECD

...as does money supply



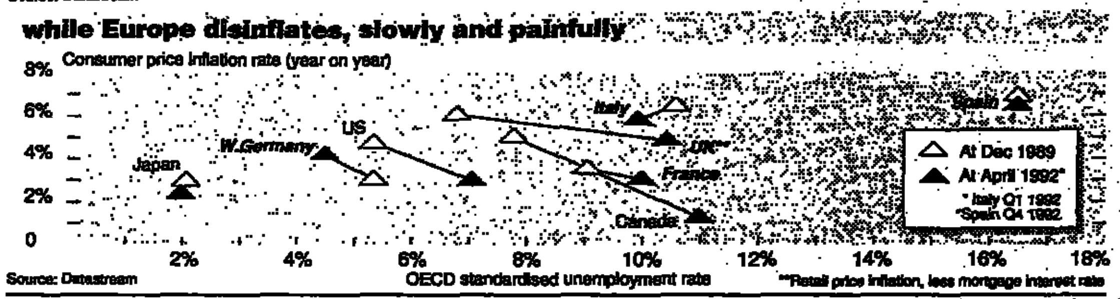
Source: Bundesbank

The Bundesbank keeps monetary policy tight...



Source: Datastream

while Europe disinflates, slowly and painfully



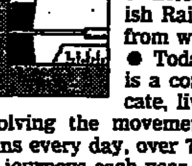
Source: Datastream

**Retail price inflation, less mortgage interest rate

PERSONAL VIEW

A challenge to us all

By Sir Bob Reid



Any assessment of plans for the future role, shape and ownership of British Rail must start from where we are:

- Today's railway is a complex, intricate, live operation involving the movement of 16,000 trains every day, over 740m passenger journeys each year.
- Half a million London commuters every working day.
- The 136m tonnes of freight carried annually keep thousands of lorry-loads off overcrowded roads.
- Compared with the beginning of the last decade, British Rail is now carrying more passengers and has opened more than 100 new stations. At the same time it operates with one-third less support in grants from government and 20 per cent fewer staff.

My first priority is to see that today's railway continues to operate effectively and safely – and to improve its service. Whatever other priorities we have, our managerial eye must be kept on that ball.

To make that happen, the railway must first and foremost be safe. There must be clear responsibilities and authority to discharge them.

The investment programme is and should be substantial. We have foreseen expenditure annually in excess of £1bn. The refurbishment backlog is great and it is important this momentum is maintained.

Of this year's investment programme of about £1.6bn, one-third will be used to keep Victorian assets secure and serviceable and to maintain more than 40,000 bridges and viaducts.

Better services are provided by electrifying lines, and by replacing old signalling and trains with modern equipment, which is more efficient and cheaper to maintain. Preparations for the Channel tunnel opening take up most of the rest.

The people operating the system must be competent. The programme of implementing a clear vocational qualification structure is vital in an industry where demographic unevenness means that up to 70 per cent of our drivers will retire by 2000 – in practically each case with service in excess of 40 years.

In simple terms these are the imperatives for maintaining and developing a railway which will tackle the problems of road congestion, pollution and energy conservation. They are the background to the proposals in this week's white paper on the future of British Rail.

For the railways, greater clarity about their future is good. Uncertainty is unsettling and difficult to manage. The content is, as we have stated in the past, a matter for the shareholder (the government) not British Rail. It is for BR management to advise on the practicality of the proposals and to achieve effectively their implementation.

Much has been done to divide and devolve in what was a monolithic, technically driven organisation, and to redress the balance towards customer need and satisfaction. The railway also has large capital requirements. The introduction of private capital into the operation is welcome. So is the concept of franchising, as it may unlock gains for the customers, through entrepreneurial flair from within as well as outside the railway. The management of change, which these developments will make necessary, is a big task. The scale and rate of change will demand a balance between ambition and pragmatism. The only criterion is success, and if this takes a little longer, I would say: so be it.

For those businesses that are to be sold my advice is similar. Care must be taken to ensure that they have competent management and a good chance of a long-term future. If matters can be arranged in this way, then I have no doubt a good number of our staff will look at the possibilities and come forward as potential buyers. This, as the white paper says, will be welcomed.

So far I have not mentioned the economics of railway operations. The railways require up to £1bn a year of public subsidy to continue operating a countrywide, price-constrained network – endorsed as the network needed to meet social requirements. Privatisation will throw into relief these facts of life; it is helpful to recognition of the reality of transport issues that these transactions are more transparent.

The main lever in the economic operation of the railway is the charge for access to the lines. This has the making of becoming the biggest bureaucratic complexity since Lord Woolton set up the rationing system. There will be anxious debate in months to come over concepts of market-pricing versus cost-related charging and all shades in between. We must arrive at systems that are above all practical – and lead to the most effective use of the railway network we can engineer.

From these points of view, the white paper presents a challenge to all of us – to those in the private sector who have a contribution to make to a better railway, and to all those working today to run a major national enterprise. The challenge is to ensure there is overall national advantage. BR is prepared to take up that challenge. The new policies require big changes, and managing the process of change will be the key to future success.

The author is chairman of BR.

Joe Rogaly

Reliable Scot resists hammer horror tactics

A deceptively simple choice will lie before Mr John Smith when he becomes leader of the Labour party by acclamation tomorrow afternoon. Will he oppose the government, or will he support it? Silly question, you might say. The task of the leader of the opposition is to oppose. Yes, but there is opposition and opposition. There is skirmishing on the periphery of what the administration is doing and there is an attempt to bring the entire edifice crashing down in a single act of wild and glorious destructiveness.

The temptation to have a go is strongly felt in some sections of the Labour party. If he were to succumb Mr Smith would need to pick up only one weapon, a sledgehammer labelled "leave the exchange rate mechanism". With that fearsome object held high above his head he might stand a chance of transforming himself from a plain Edinburgh brief into the Arnold Schwarzenegger of British politics. "Withdraw!", he could snarl. "Devalue – and end the recession." In one or two swift but irresponsible phrases he could thus attack the foundations of the government's strategy for the management of the British polity over the next five to 10 years. A tacit alliance between the anti-Europeans on the Conservative back-benches and the principal opposition party might be unholy, but it would certainly frighten Mr John Major.

The prime minister can relax. It would be contrary to what is known of Mr Smith's character for him to do any such thing. Before the election, when he was shadow chancellor, he was wont to remark that his determination not to devalue if Labour came to power was for him a matter of honour. His commitment to the principal proposition put forward by Mr Major – that Britain should be at the heart of European affairs – is absolute. The prime minister and the chancellor have pledged the most valuable assets they possess, their reputations, to the maintenance of Britain's position within the ERM at existing parities. This undertaking is closely bound up with their public support of the Maastricht agreement. It is a government package deal. If Mr Smith remains true to himself, it will enjoy the broad support of the opposition

There is, however, a disputed ingredient. The prime minister appears to be willing to sit out a recession for as long as it takes to approach zero inflation. Mr Norman Lamont warned Conservatives of this on Wednesday. Take his warning seriously. He did not waver from his anti-inflationary hawkishness last year, when the election lay in the future. There is no reason to believe that he will be budged now, when the electorate need not be troubled for another four or five years. The implications of this are beginning to be understood as people awaken from the shock of discovering that the post-election stock exchange bubble has burst. Bottom lines continue to sink. Businesses continue to go bankrupt. Jobs remain difficult to get. Although the rate of increase in unemployment slowed last month, the total is still rising. Mr Major and Mr Lamont sit, arms folded, watching inflation fall.

Mr Smith may not be ruthless or reckless enough to attempt to frustrate the government

Mr Smith can hardly be seen to be conniving in a policy that says nothing about bringing unemployment down in double-quick time. No Labour leader could do that. He has therefore prepared an escape hatch. This is to argue, as he did when addressing Labour members of the European parliament in Strasbourg last month, that the ERM is "a fixed, but adjustable, system" which does not preclude "the possibility of a general realignment". He appeared to favour an EC-led German revaluation, as does Mr Neil Kinnock, on the grounds that Bonn's reunification costs should not fall as a monetary surcharge on the rest of Europe. The payoff for a higher D-Mark, he believes, could be a general reduction in interest rates, and a reversal of the present deflationary bias of the ERM.

The new Labour leader is aware that France is implacably opposed to this line, but he can reasonably hope that Paris will be more amenable after the Maastricht referendum in September. He may then float the notion that general realignment (ie a German revaluation) can be sold to the French as a part of the post-Maastricht convergence process and therefore as a step on the way to economic and monetary union. If the pieces fall into place he will be in a position to attack the government fairly vociferously in the autumn.

Mr Lamont has already made a pre-emptive strike. Last Friday he said of a German realignment: "No country in the ERM is looking in that direction. The issue is simply not on the agenda." The reason was pure Lamont: "The shock we are facing is not that of German reunification – it is the shock of trying to get an inflation rate comparable to that of Germany. Our other European partners recognise this."

I will not attempt to choose between Mr Lamont's economics and Mr Smith's. Economists in general are gradually being unmasked as doctors were before them: their reputations are built on what they get right, but they really know very little about what determines many of the key variables upon which they are so quick to pronounce.

In political terms, there is the world of difference between supporting membership of the ERM while calling for a realignment and demanding a unilateral British devaluation within the ERM. The first is what a responsible, nay respectable, opposition leader would choose. It nicely bridges the gap between Labour's pro- and anti-Europeans, thus confirming Mr Smith's reputation as a man who can be relied upon to find the centre of gravity of his party and place himself there. The second might smash the government, but it would risk Mr Smith's reputation as the essence of reliability and leave Labour open to the charge that it had changed its mind again.

None of this tells us anything about Labour's long-term prospects, which will doubtless be extensively analysed after tomorrow's leadership election ceremonies are over. The truth is that nobody can say where British politics will stand in 1996 or 1997. Mr Smith may succeed in seducing Mr Paddy Ashdown's Liberal Democrats over to Labour, or the two parties may conclude a pact, or they may continue to battle against one another and thus deny both of them the fruits of office. Or Mr Major and Mr Lamont may fail, and fall. Who can tell? With Mr Major's government still increasing in popularity, the matter seems of little moment.

What does matter is that a credible Labour opposition will confront the government when parliament returns from its lengthy summer break in mid-October. It could launch a strong verbal onslaught on the Conservatives, whose majority is only 21. Mr Smith may not be ruthless or reckless enough to attempt to frustrate the government, but he should be able to get a few laughs in the Commons and perhaps influence public opinion. Her Majesty's Loyal Opposition will be back in business.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Still a place in the market for credit card

From Ms Elizabeth Phillips.

Sir, Your suggestion that credit cards are likely to be replaced by debit cards (FT Survey of credit and charge cards, July 15) is not borne out by the facts.

The UK credit card market is clearly a mature market and unlikely to repeat the high rates of growth seen in the 1980s. Nevertheless, the use of credit cards continues to grow. While the introduction of annual fees by most issuers has reduced the number of cards in issue, there is no evidence that it has reduced the number of card-holders. The value of payments made by credit card was £12.67bn in the first five months of 1992, 7 per cent higher than in the same period in 1991.

In comparison, the debit card market is a growth market. The value of debit card payments almost doubled between 1990 and 1991. However, it still has a long way to go before it catches up with the credit card market. The amount spent on credit cards was three times the amount spent on debit cards last year.

Most consumers see debit cards as a replacement for cheques and cash and complementary to credit cards, this being reflected in different patterns of spending. The average credit card spend is £45 compared with £27 on a debit card.

Elizabeth Phillips,
director,
Credit Card Research Group,
2 Ridgmount Street,
London WC1E 7AA

Location of ECB less relevant than who wins the markets

From Mr Richard O'Brien.

Sir, David Marsh's discussion of the battle over the site of the ECB ("No place for bank to call home", July 14) provides an excellent summary of the tale of four (or more) cities but it is clear that he also feels that the subject is given more attention than it really deserves. May I suggest that the real competition among Europe's cities is not for the ECB but for the markets themselves – a far more important prize. Does the location of the ECB affect the location of markets?

The answer is probably not: indeed, if there is any correlation between the presence of a reputable central authority and extensive markets it stems from the role of that authority as supervisor and regulator, not as monetary controller. Hence London has developed well supervised markets over the years and its future strength depends upon restoring that reputation after recent problems. Equally, Frankfurt has been well behind in market development; hence the finance ministry's efforts to enhance Finanzplatz Deutschland while the Bundesbank has no supervisory role. At present it is undecided as to whether the ECB will play a supervisory role, so that its relevance to markets may be even less than that of many existing central banks.

More important, over time the location of the ECB will become even less relevant as the very location of markets becomes more diffuse as markets increasingly switch from physical trading places to computer and telephone networks. Each city in Europe is likely to see the level of market trading increase as cities are able to link with each other; it is not a matter of the markets being in one place or another. The ECB, likewise, will in effect be located in all centres through the constituent central banks. Of course, just how many operating powers remain with each central bank remains to be seen; hence London's tactic of trying to be the operating arm *à la* New York Fed, if the ECB, as a policy making body, is located elsewhere.

Meanwhile, in Edinburgh I suggest that the EC take the logical step of recognising that it is far too early to be siting an institution with an uncertain role and leave central bankers to continue their research, through the new European Monetary Institute, in Basle.

By the time the BCE comes along, that central bankers' haven may well be located in the Community – if anyone still thinks location matters that much.

Richard O'Brien,
chief economist,
American Express Bank,
Global Economics Unit,
60 Buckingham Palace Road,
London SW1W 0RR

Bankruptcy facing BCCI customer

From Ms Pamela Parker.

Sir, While efforts are being made on behalf of Bank of Credit and Commerce International shareholders to mitigate their losses, there are many like myself who personally guaranteed their company overdrafts and are now being pursued by the BCCI liquidator, Touche Ross, with personal bankruptcy and loss of our homes.

I ran my company on a professional basis and within the terms of our loans. In our particular circumstances we had a negligence case against BCCI, but owing to the bank's demise we are unable to pursue it.

Through our professional advisers, we have submitted to Touche Ross our sworn statements of affairs which are evidence of our means. While these are less that the total indebtedness, they do reflect the true situation. The response from Touche Ross, however, is no negotiation and a demand for full and immediate repayment within seven days or it will pursue for repossession of our home and place us in personal bankruptcy.

If Touche Ross proceeds with personal bankruptcy petitions and repossession of our home, it will achieve less than the offer on the table. Where is the logic? Where is the moral code? Our professional advisers are appalled by Touche Ross's stance.

I do not believe that Sheikh Zayed of Abu Dhabi would support such an approach, nor do I believe those who are in a position of influence in the UK will allow such actions to continue.

Pamela Parker,
8 Badgers Wood,
Chaldon,
Surrey CR3 5PX

If all else fails, take the direct route to the filing cabinet

From Mr Alan Hopes.

Sir, Michael Dixon's article on executive recruitment (July 15) questioned what the thousands thrown out of work, mostly through no fault of their own, are doing. Judging by the experiences of a former colleague they are the recipients of countless standard rejection letters having an instantly recognisable format.

The receipt of so many similar letters has prompted us to compose a standard letter of application, so far not seen in the text books, but designed to save a great deal of time and trouble, expectation and disappointment in the present climate.

"Dear Sir or Madam

Ref———

In order to save you the bother of writing to inform me that there were a number of candidates whose qualifications and experience more closely met your client's requirements and that my application was not successful, I have definitely decided not to apply for the above advertised position.

"However, I enclose my *curriculum vitae* for I am sure you will be pleased, as always, to keep my details on your files, in the event that one of your clients may have a suitable vacancy at some time in the future.

Yours etc"

Alan Hopes,
5 Tulk House,
Ottershaw Park,
Ottershaw,
Surrey KT16 0QG

OBSERVER

Tours off-duty

■ Hush! Cabinet ministers' movements are of course top secret.

Then again, however, John Major is committed to more open government. So here is what Observer has gleaned as to where Britain's political leaders will be seeking to forget the recession during their holiday.

The prime minister's plans are under especially thick wraps. But it would scarcely be astonishing if he turned up in Spain, not just for the Olympic Games, but to stay at the house of foreign office minister and arch-Europhile Tristan Garel-Jones. Indeed, the likelihood that Major will come back yet more wedded to the perfidious Maastricht treaty is already being lamented by Tory Euro-sceptics.

Meanwhile, one of their deep-dyed members, Peter Lilley, is none the less off to France – although cabinet colleagues may be wrong in expecting him to fare forth from his Normandy cottage to campaign for a "No" in the French referendum. He's more likely to pop down to Provence where he might bump into not only William Waldegrave, but Michael Howard replete with wife and mother-in-law.

Chief whip Richard Ryder, recuperating from putting down putative backbench rebellions, is ranging farther afield: the US certainly, and mayhap a Greek island.

By contrast Norman Lamont's fondness for his new grace-and-favour house in Dorneywood is keeping him there much of the summer (if he invites a few economists down, the taxpayer will pick up the tab). For a break, he'll probably go to Tuscany where – if he's wanted by Douglas Hurd, who'll also be there – he might well be found in the garden of a trattoria near Lucca.

As for the other Treasury member of the cabinet, Michael Portillo is said to be determined to belie his reputation as Whitehall's Scrooge. So he'll be slashing his colleagues' budgets from a beachside villa in Barbados.

Perhaps in hope of mollifying him, big ministerial spender Virginia Bottomley is sojourning frugally with family on the Isle of Wight, while David Hunt and John Gummer are sailing together off Norfolk. Lord Wakeham, cabinet chief-fixer, is setting a more ambitious course from the south coast to Brittany.

Even that, however, is too tame for Michael Heseltine. Hezza the Prezza, as he is now affectionately known, will be sketching his blueprint for Britain's industrial revival on an exotic island somewhere in the South Pacific.

Don't read this

■ The Scots are forever complaining that, when it comes to catching the attention of London-based journalists, they might as well be on the moon. But some bright spark at Scottish Life has had a good go at it – as witness yesterday's media announcement of the company's new business results for the first half of the year.

"Another Boring Bombastic Press Release from Scottish Life", it starts, and continues: "The only possible item of interest is that most of the growth is in the single premium area, single premium personal pensions and executive pensions in particular (up 160 per cent to £89m)."

Then it adds: "Just in case anyone is remotely interested, the detailed figures are attached".

"I've got more money than sense"

The acid test, of course, is whether the result is widespread coverage in the press at large. But, whatever the pay-off, Observer and colleagues are grateful. It makes such a change.

Orthodox move

■ If the Department of Trade and Industry needs a chief economic adviser, Walter Eltis is probably as good a choice as any. It is not the first time that the DTI has had a top economic guru. After all, Hans Liesner did the job for 13 years until he left to become deputy chairman of the Monopolies and Mergers Commission in 1989; and the Foreign Office and the Department of Transport, among others, have similar boffins.

Even so, Eltis's appointment is bound to raise eyebrows. Is President Heseltine just finding a job for an out-of-work director general of the axed National Economic Development Office, or is he putting in place his own powerful team to challenge established Treasury thinking?

On the surface at least, HM Treasury seemed relaxed enough when Observer checked out the possible deeper significance of Eltis's move. It noted that Alan Budd, the Treasury's own chief economic adviser, also heads the government economic service, and is several rungs above Eltis. In addition, Eltis' record as an economist suggests that he is much more supportive of the government than a doom-and-gloom merchant like Wynne Godley. Surprisingly, he is not an interventionist. So if Hezza alternative thinkers, Eltis isn't one.

Indeed, perhaps the people who ought to feel most miffed about the appointment are Eltis's old colleagues at Nedo. To date he is the only one who has been given a job.

Some total

■ But will Midland Bank's high profile economics team be as lucky as Eltis? Some of the more nervous Midland economists have been doing some arithmetic as they await the arrival of their new Hong Kong paymasters.

One of them has found to his horror that the enlarged group now has 26 economists in London spread between the offices of Hong Kong & Shanghai, James Capel, and Midland Montagu. Does anyone really need that many?

Ah well...

■ The Bundesbank's latest move calls to mind a verse from a song composed by Tom Lehrer in the 1960s amid talk of giving Germany an active part in Nato's proposed multi-lateral nuclear force:

Once all the Germans were
warlike and mean,
But that couldn't happen again.
We taught them a lesson
in 1918,
And they've scarcely bothered
us since then.

FINANCIAL TIMES
Friday July 17 1992

Israel and Egypt set to hold first summit for six years

By Hugh Carnegy in Jerusalem

ISRAEL and Egypt appear set to hold their first summit in six years following the announcement in Tel Aviv yesterday that the newly elected Labour government was temporarily freezing funds for settlements in the occupied Arab territories.

The government yesterday blocked the signing of any new building contracts for Jewish settlements in the occupied territories, prompting an immediate response from Egypt, which said it cleared the way for a summit meeting between president Hosni Mubarak and Israeli prime minister Yitzhak Rabin.

Officials said the two leaders might meet in Cairo next week, after Mr James Baker, the US secretary of state, visits Israel at the start of a five-nation regional trip to relaunch Middle East peace talks.

Egyptian and Israeli leaders last met in Alexandria in 1986 when Mr Mubarak received Israeli prime minister Mr Shimon Peres to discuss faltering steps towards Middle East peace.

Mr Mubarak refused to meet Mr Yitzhak Shamir, Mr Rabin's predecessor, because he believed the Likud party leader was not committed to the peace process.

Mr Shamir rejected Arab and US demands for a freeze on settlements. Mr Rabin, whose Labour party defeated Likud in last month's general election, has refused to freeze all settlements, but is committed to significant curbs on their expansion in the hope of winning US government loan guarantees and facilitating peace negotiations.

Although warmly greeted by Egypt, yesterday's move was in effect an interim step which will curry favour with the US ahead of Mr Baker's visit, but which does not have the status of final policy. It will help buy time for Mr Rabin to sound out how far Washington expects him to go as a condition for the $10bn loan guarantee request blocked because of Mr Shamir's stance.

Mr Binyamin Ben-Eliezer, the new housing minister, said he had frozen for a week all pending contracts for new buildings while he and Mr Avraham Shochat, the finance minister, reviewed overall housing policy and, specifically, government spending in the occupied territories.

Mr Ben-Eliezer said the legal implications of stopping state-backed settlement building already under way would also be examined, adding that those who believed settlers' plans to double their numbers to 200,000 would be allowed to occur "do not understand the issue".

King Hussein of Jordan meanwhile travelled to Damascus yesterday for talks with President Hafez al-Assad ahead of Mr Baker's arrival in the region.

Boost for equities
Back page Section II

Slim Yugoslav peace hopes keep Carrington trying

By Robert Mauthner, Diplomatic Editor, in London

LORD Carrington, chairman of the European Community's peace conference on Yugoslavia, does not look like a man under fire as he relaxes in the chairman's office of Christie's, the auctioneer. Indeed, he seems unperturbed by those who, like the French government, want to transform the conference into a wider international forum.

"I was employed by the European Community. The foreign ministers of the EC are meeting in Brussels on Monday. If they want to do something different, that's absolutely fine with me." But he still feels he has a useful job to do and does not despair of the current negotiations on a Bosnian or overall Yugoslav settlement.

Nor does he believe an alternative to the EC conference would do any better.

"The problems are not going to go away by finding a new forum. One has to recognise that a new forum other than the EC would be much more unwieldy. And there are certain other difficulties involved in such a procedure, if it involves the United Nations and permanent members of the Security Council.

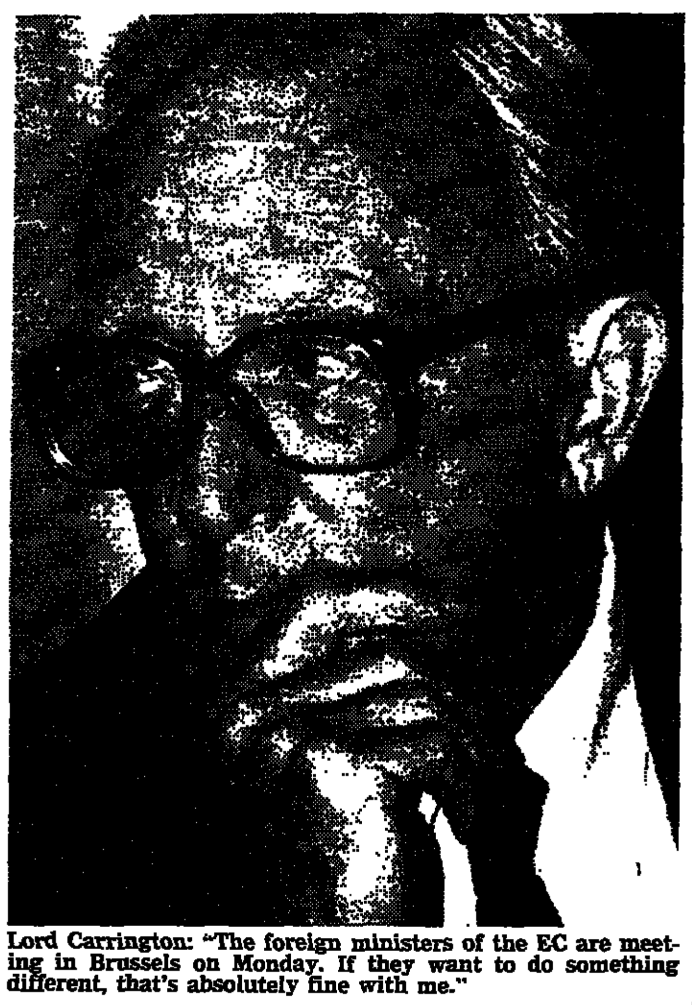
"The Russians and the Chinese have recognised Serbia and Montenegro as the new Yugoslavia, which the EC and the Americans have not. And when you are talking about minorities, one would have to consider whether some permanent members of the Security Council were necessarily the most suitable people to talk about minorities."

How does Lord Carrington hope to break the present deadlock in the negotiations being held in London between the three warring Bosnian parties?

He does not believe there is any real chance at the moment of negotiating a ceasefire that will stick, despite the protestations of all the parties that they want one. So a different approach must be attempted, in which a halt to the fighting will be the end product rather than the precondition of a political settlement.

"What the Moslems are saying is that either there will be military intervention by the United Nations or we die. It is not my job to talk about military intervention or what the UN ought to do. What I'm saying is that there is a slim possibility that you could get an agreement between the three communities on a constitution of an independent Bosnia so that the reasons for fighting would no longer be there.

"I think it's a slim chance, but it's one which I think the Moslems ought to take because the outlook for them is very serious in the absence of a settlement. This is particularly so since, in the past, neither the Serbs nor Croats have made any pretence about favouring a partition of Bosnia."



Lord Carrington: "The foreign ministers of the EC are meeting in Brussels on Monday. If they want to do something different, that's absolutely fine with me."

Lord Carrington stresses that his own aim is to stop Bosnia from being partitioned. He is "increasingly irritated" by the attempt to saddle him with the so-called "cantonisation" plan of March this year – interpreted by critics as breaking up Bosnia into a number of constituent national units, and subsequently rejected by the Moslems.

"They all agreed on a set of principles, including the Moslems, providing for a good deal of autonomy for the three communities under a federal state. This was one of the reasons why the Community actually recognised Bosnia-Hercegovina's independence."

As late as April, the Moslems were prepared to accept the principles of this draft constitution. But they subsequently made clear they were no longer prepared to negotiate on them and repeated their demands for a unitary state.

"They are now talking to Mr Jose Cutileiro (the EC mediator, for whom Lord Carrington has the highest regard) about their own plan, which is simply going back to the old constitution. I think that will almost certainly be rejected by the other two sides."

Lord Carrington insists he is not proposing a simple break-up of Bosnia into three ethnically homogeneous geographical areas. "What I have in mind is a certain degree of local autonomy for ethnic people, not geographical boundaries in the sense that you have one slab which is Serbian, another that is Croat and another that is Moslem because the whole thing is a patchwork quilt anyway."

Lord Carrington also rejects the view that he is adopting a pro-Serbian position. "The Muslims are in a very difficult position and one has to sympathise with them. It is the Serbs who attacked them in the first place and it is the Croats who have taken over part of the country."

Bosnian Serbs' leader orders end to shelling, Page 3
Chalker on war crimes, Page 3

Appeal acquittals a blow to UK fraud office

By John Mason in London

THE UK Serious Fraud Office yesterday suffered the most severe blow yet to its reputation when four City advisers found guilty of fraud over the Blue Arrow affair had their convictions quashed by the Court of Appeal.

Mr Jonathan Cohen, Mr David Reed, Mr Nicholas Wells, all former executives of National Westminster's merchant banking arm County NatWest, and Mr Martin Gibbs, a former director of Phillips & Drew, the stockbroker, had their convictions overturned after a three-day hearing.

The Appeal Court decision prompted fresh calls for a review of City regulation and the handling of alleged fraud cases by the courts.

The judges, Lord Justice Mann, Mr Justice Ognall and Mr Justice Buckley, delayed giving their reasons for their decision.

The four men, cleared of conspiracy to mislead the markets by secretly buying shares in the 1987 Blue Arrow rights issue, expressed their delight at the appeal court decision but could say little else.

Their lawyers had argued that the convictions were unsafe because of the length and complexity of the trial and because of the cutting down at a late stage of the indictment.

The failure of the prosecution provoked criticism in the City and at Westminster. Sir Andrew Hugh Smith, chairman of Stock Exchange, said the case had proved an "appalling waste of money and resources". He said: "Something that is as long-drawn-out as this is inherently undesirable. It does not seem to offer justice to the accused, or to society."

Ms Marjorie Mowlam, who speaks on City matters for the opposition, said: "Either the law is unviable or the Serious Fraud Office's ability to interpret it is defective."

As a result of the latest judgment the costs of the trial – estimated at £35m – are now almost certain to be met from public funds, and not from the defendants' employers.

The SFO would only say that an urgent review of the case was under way following the court's judgment.

Two other Blue Arrow trials are still pending. Mr Charles Villiers, Ms Elizabeth Brimelow, both former County NatWest directors, Mr Paul Smallwood and Mr Tim Brown, both Phillips & Drew executives, are still charged with conspiracy to defraud over their roles in the Blue Arrow issue.

It is widely believed that yesterday's decision will force the SFO to drop these charges.

Taxpayers' bill set to exceed £35m, Page 6
Blue Arrow leaves SFO reputation in tatters, Page 6
Rebuilding careers will be hard, Page 6
Editorial Comment, Page 16

Perot quits the race for White House

Continued from Page 1

appreciated yesterday that the Perot vote, now leaderless, could be decisive. Both telephoned Mr Perot in Dallas and appealed for Perot supporters to come into their respective folds.

Mr Perot said he had actually decided to pull out on Wednesday, but had to delay because of Mr Rollins's resignation. He offered no other explanations beyond the initial one. "I…rationally looked at the facts."

A Washington Post/ABC survey gave Mr Clinton 45 per cent, Mr Bush 28 per cent and Mr Perot only 20 per cent. This confirms that the Democratic nominee has received a large, though not necessarily lasting, boost from his party's successful convention in New York, with the endorsement by Governor Mario Cuomo of New York as its undoubted highlight.

Mr Clinton and his running mate, Senator Al Gore from Tennessee, were to give their acceptance speeches later last night. Mr Clinton's speech is the most important he has ever delivered. He knows that in 1988, Democrat nominee Mr Michael Dukakis also left the convention with a 17 point lead in the polls, but did nothing to capitalise on it over the ensuing weeks.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	S	20	68	Frankfurt	F	23	73	Majorca	S	29	84	Oporto	S	22	72	Tenerife	S	23	73
				Brussels	S	26	79	Geneva	R	23	73	Malaga	S	27	81	Oslo	F	19	66	Tokyo	C	24	75
				Budapest	S	24	75	Gibraltar	S	26	79	Malta	S	28	82	Paris	S	30	86	Toronto †	S	16	61
Ajaccio	S	25	77	Buenos Aires		-	-	Glasgow	F	20	68	Manila		-	-	Prague	F	22	72	Tunis		-	-
Algiers	S	31	88	Cairo		-	-	Helsinki	F	19	66	Melbourne		-	-	Reykjavik	F	10	50	Valencia	S	32	90
Amsterdam	F	25	77	Cape Town	S	16	61	Hong Kong		-	-	Mexico City		-	-	Rhodes	S	29	84	Venice	S	27	81
Athens	S	30	86	Caracas		-	-	Innsbruck	F	24	75	Miami †	S	29	84	Rio de Janeiro		-	-	Vienna	F	23	73
Bahrain	S	36	97	Casablanca †	S	24	75	Inverness	C	19	66	Milan	S	33	82	Rome	S	25	77	Warsaw	F	22	72
Bangkok		-	-	Chicago †	C	18	64	Islamabad		-	-	Montreal †	S	15	59	Salzburg	F	22	72	Washington †	S	26	79
Barcelona	S	26	79	Cologne	S	24	75	Istanbul	F	24	75	Moscow	F	28	82	S'Francisco †	C	15	59	Zurich	F	25	77
Beijing	F	29	84	Copenhagen	F	18	64	Jakarta		-	-	Munich	C	23	73	Seoul	C	28	82				
Beirut	F	28	82	Corfu	S	30	86	Johannesburg	S	19	66	Nairobi	C	22	72	Singapore	F	29	84				
Belfast	F	19	66	Dallas †	F	27	81	Lisbon	S	27	81	Naples	S	28	82	Stockholm	S	18	64				
Belgrade	F	24	75	Dublin	C	21	70	London	C	22	72	Nassau		-	-	Strasbourg	F	27	81				
Berlin	S	19	66	Dubrovnik		-	-	Los Angeles †	F	20	68	New Delhi		-	-	Sydney		-	-				
Biarritz	C	21	70	Edinburgh	F	21	70	Luxembourg	F	24	75	New York †	C	21	70	Taipei		-	-				
Bombay		-	-	Faro	S	30	86	Madeira	S	26	79	Nice	S	25	77	Tangier	F	26	79				
Bordeaux	F	25	77	Florence	S	28	82	Madrid	S	31	88	Nicosia	S	27	81	Tel Aviv	F	29	84				

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

THE LEX COLUMN

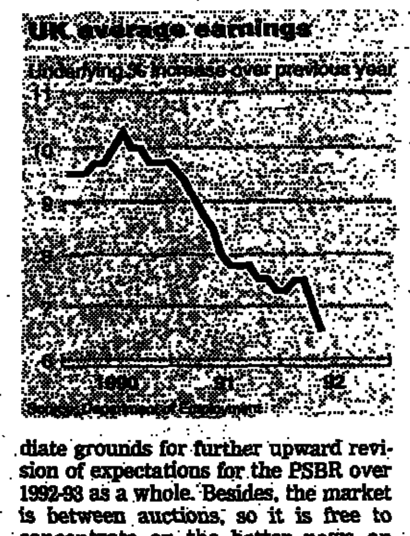
In the Bundesbunker

The Bundesbank's mid-year review of its monetary targets was always going to be tense. With money supply growth more than 3 percentage points above its target ceiling, it urgently needed to reassert its credibility. Insofar as the council members care about the ERM at all, this had to be done without blowing it apart, along with hopes for European monetary union. The 0.75 point rise in the discount rate to 8.75 per cent serves both purposes for the time being. All the same, there should be little premature rejoicing from those in the UK who had been worrying about a move requiring base rates to rise in sympathy.

Since the German banking system has only limited entitlement to borrow under the Bundesbank's discount facility, yesterday's rate increase will have a correspondingly small impact on the money market. Interest differentials with other European currencies remain largely unaffected. The move is more intended as an unequivocal signal of the Bundesbank's determination to curb credit expansion, however long it takes. That may explain why European equity markets registered the greatest disappointment. They have been slow to accept the economic implications for national economies of German rates staying high for the balance of the year.

The UK looks particularly boxed in, especially after yesterday's bold rate increase by Italy. The risk is that sterling will remain weak while the recovery fails to materialise and political pressures mount, particularly around the party conference season in September. More worrying still is the thought that the Bundesbank can hardly have been making an idle threat. It has long established a pattern for discount rate rises to be followed fairly shortly by an increase in the more important Lombard rate. The differential between the two rates is also unusually narrow at 1 percentage point. The Bundesbank may simply be battening down the hatches for the long haul. But if credit demand does not slow reasonably soon, the markets will have grounds for worry that its next move may not be so innocuous.

FT-SE Index: 2483.4 (-3.0)



UK economy

The gilts market could afford to shrug off June's initially forbidding PSBR figure of £4.2bn. Though the small print reveals a large jump in government spending, this may well have to do with the timing of payments to local authorities. There are no immediate grounds for further upward revision of expectations for the PSBR over 1992-93 as a whole. Besides, the market is between auctions, so it is free to concentrate on the better news on inflation.

The latest such item is May's half-point fall to an annual rate of 6.5 per cent in average earnings growth. At long last, the high settlements of early 1991 seem to be dropping out of the equation, so earnings growth should continue to fall significantly between now and the end of the year. The 2.8 per cent annual rise in manufacturing unit labour costs over the three months to May is even more positive evidence of an ability to keep up with other European countries.

In other circumstances that might be grounds for expecting lower interest rates. While ERM membership makes this impossible, the UK economy seems condemned to suffer disinflation without enjoying the benefits of growth. That is a combination which continues to bode badly for equities as much as it is an encouragement to gilts.

Mirror Group

Mirror Group's re-emergence this morning as a quoted company will take careful watching. On the one hand, there will doubtless be something of a scramble as trapped punters head for the exit. On the other, it should be recalled that the Mirror is worth a good deal less to the portfolio investor than it would be to an industrial owner. For the investor, the prospect is of zero income for at least two more years and an uncertain dividend stream thereafter. For the owner, the promise is of direct access to a torrent of cash flow by the mid-decade.

Much depends, of course, on interested parties having a clear picture by now of the Mirror's liabilities, or convincing their bankers they have. But anyone aiming to bid the administrator for his 54 per cent controlling stake will already have a price ready on the back of an envelope. If the shares drop well below that in early dealings, what could be more sensible than to pick up a few?

Certainly, if Mirror shareholders had to fall back on conventional yardsticks such as earnings multiples and yield they would have little to hope for. Current year earnings per share might be 4p at best. Even a price of 50p would thus represent a multiple of 12.5 times, which in combination with a prospective yield of zero is scarcely compelling. The Telegraph, for instance, was trading yesterday on a historic multiple of 11.6 times and a historic yield of 4.1 per cent.

But the alternative view is neatly illustrated by a sum from the Mirror's new brokers, Warburg. At 50p, the Mirror would be selling on a multiple of last year's net cash flow – adjusted for extra pension costs – of 1.8 times. The corresponding figure for The Telegraph is 10.8 times. For an industrial buyer, the appeal is obvious. For the Mirror shareholder, the implication is obvious as well: if the shares fall to 50p, do not sell.

Wellcome

Like many good ideas, the share swap proposed for the Wellcome sale is so obvious that one wonders why it was not thought of before. By taking something over £500m of stock for Wellcome shares, the Trust will reduce its dealing costs and will instantly acquire a UK equity portfolio without carrying the market risk of being in cash while building it up. At the same time, other fund managers will be galvanised by the prospect of unloading awkward bundles of stock at mid-market prices; though doubtless, it will be the job of BZW on the Trust's behalf to frustrate them.

The effect on market stability should be minor, if positive. The UK part of the sale was always likely to be an intra-market affair, with institutions selling equities to buy Wellcome and the Trust then buying equities with the proceeds. The main losers are BZW's rivals, who will see none of the business. But that is competitive broking for you.

FINANCIAL TIMES
COMPANIES & MARKETS
Friday July 17 1992

INSIDE

AT&T income boosted by its credit card

American Telephone and Telegraph, the US telecommunications and computer group, yesterday reported a 3.5 per cent increase in second-quarter net income to $961m and said its credit card, launched in 1990, had moved into profit for the first time in June. AT&T said it was now the third-largest credit card issuer in the US, with 9.5m accounts and 14m cards issued. Page 19

GUS beats expectations

Great Universal Stores, the mail order, financial services and property company, yesterday beat market expectations with a 4.7 per cent profit increase after a strong second half. Pre-tax profits increased from £438.6m to £459.2m ($888m) in the year to March 31. Mr Richard Pugh, deputy chairman, said: "Things are a little better." Page 22

Voters boost Israel equities

The morning after Israel's general election on June 23, the Tel Aviv Stock Exchange reacted as if bucketloads of mannah had just fallen from heaven. Prices charged ahead by more than 7 per cent in the first session on record volumes. Three weeks later the market remains starry-eyed about the prospects for the economy under the new government. Back Page

Extra virgin at your door

Many Greek olive oil producers, facing slack demand this year, have resorted to doing their own marketing. Farmers have gone direct to the consumer, selling oil door-to-door in 20-kilogram tins, at prices that barely meet production costs. Farmers in Crete and the Peloponnese, which normally account for almost two-thirds of Greek output, have been left with about 160,000 tonnes of oil that seems unlikely to find buyers. Page 34

Dividends depress Time Warner

Time Warner, the US media and entertainment group, saw a solid advance in its second-quarter operating earnings, but suffered a $147m loss after the payment of dividends on preferred stock issued at the time of the 1989 merger of Time and Warner. The group's Hollywood studio achieved a record $101m operating profit due to hefty box office receipts from films such a Batman Returns and Lethal Weapon III. Page 19

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Chief price changes yesterday

FRANKFURT (DM)				**Falls**			
Rises				Accor Entrepr	582	−	19
Hochtief	1213	+	10	Axa	805	−	39
Holzmann Ph	1140	+	14	Eurafrance	1330	−	70
Falls				Gaumont (Soc N)	450	−	18
Aachen Mch	820	−	40	Pollet	496	−	33
Douglas Hldg	560	−	10	**TOKYO (Yen)**			
Heidelb Zem	910	−	9.5	**Rises**			
Rheinelektra	1002	−	13	Kansai	650	+	35
NEW YORK ($)				Toa Valve	449	+	24
Rises				**Falls**			
Telefonos	49⅝	+	1½	Chuo Paperboard	358	−	22
Falls				Daito Trust	3820	−	340
Blockbuster	12⅜	−	½	Lec	14	−	2
Caterpillar	54¾	−	¼	Shinkawa	1820	−	170
Colgate-Palm	14⅞	−	⅛				
Unisys	9⅝	−	⅛				
Waste Man	34⅝	−	⅛				
PARIS (FFr)							
Rises							
SLIC	600	+	25				

New York prices at 12.30pm.

LONDON (Pence)				Allied-Lyons	620	−	14
Rises				Anglia S Homes	3½	−	3
British Land	193	+	5	Assoc Br Ports	320	−	26
Dalepak Foods	338	+	10	Blue Circle	196	−	10
GUS A	1448	+	43	Cardiff Prop	125	−	10
GRE	144	+	7	Lasmo	144	−	12
Hickling P'cost	130	+	11	McCarthy & St	35	−	3
Kewill Systs	110	+	9	Pilkington	96	−	11
Legal & Gen	365	+	11	Proudfoot (A)	172	−	22
Peel Hldgs	124	+	9	Redland	445	−	19
Shoprite	562	+	18	WPP	33	−	6
Falls							
AB Elects	78	−	3				
Airtours	205	−	10				

Unisys in third profitable quarter

By Martin Dickson in New York

UNISYS, the long-struggling and heavily debt-laden US computer manufacturer, yesterday continued its turnround by reporting a third consecutive profitable quarter and its highest gross profit margins in three years.

The company reported net income of $105.4m, or 45 cents a share. That compared with a loss of $1.3bn, or $8.24 a share, a year ago when the company took $1.2bn of restructuring charges.

Revenues dipped from $2.20bn to $2.09bn but the company said the earlier period included $63m of revenue from a subsidiary which has since been sold.

Mr James Unruh, chairman, said the results "exceeded our expectations, with all major operating units meeting or exceeding their key goals for the quarter despite a mixed economic environment.

"Second-quarter cash flow from operations exceeded $275m and the operating margin of 9.7 per cent was the highest in nearly four years."

The company, he added, was ahead of schedule in its plan to reduce costs and expenses by $800m by the end of this year. Operating expenses in the second quarter were 11 per cent below the same period of last year.

Total debt net of cash declined by more than $250m during the quarter to $2.1bn.

The company said orders declined slightly in the period, compared with a year ago, with strong gains in US information systems partly offset by a decline in European orders.

Mr Unruh said the US information systems business had recorded its strongest second-quarter gain in orders in four years. "However," he added, "we continue to remain cautious about economic conditions in Japan and Europe."

For the six months the company reported net income of $153.7m, or 56 cents a share, compared with a net loss of $1.4bn, or $9.03 a share, last year. Unisys shares dipped $¼ in morning trading to stand at $9¼ at lunchtime on the New York Stock Exchange.

Analysts said the company's impressive reduction in costs and the improving US order book still left Unisys as one of the financially weaker competitors in a cut-throat computer market, as well as being heavily dependent on the mainframe end of the business at a time when desktop systems were growing increasingly important.

Patrick Harverson reports on rich pickings from the US yield curve

High returns from a steep slope

While Europe is nervously eyeing the higher German discount rate, US financiers are rejoicing in exceptionally low short-term interest rates.

Since US long-term rates remain high, the "yield curve" which plots the pattern of interest rates is the steepest in living memory – and it is proving a godsend to financial institutions and others with the capital to exploit it.

The yield curve, a graphical depiction of interest rates on securities with varying maturities, has steepened sharply in the past year for two reasons – concern about the massive US budget deficit, and fear that the Federal Reserve's easing of monetary policy might revive inflationary pressures in the economy.

Consequently, Treasury investors have been reluctant to push long-term yields down as far or as fast as short-term returns. The market believes the Fed has dropped its inflation guard, and has decided to do the Fed's job of damping inflationary pressures with relatively high long-term rates.

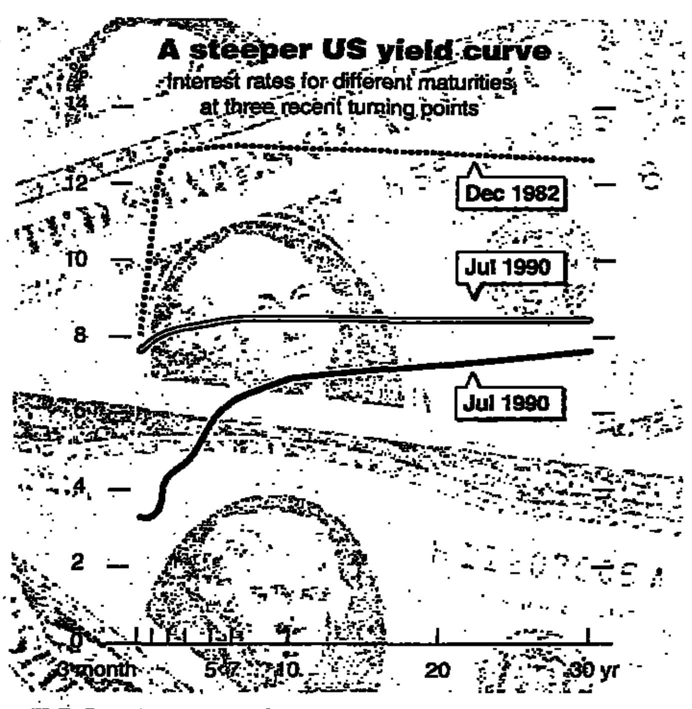
Mr Robert Brusca, chief economist with Nikko Securities in New York, says: "The market has its foot on the brake harder than the Fed has its foot on the accelerator."

By keeping its foot on the brake, the market has held the yield on the 30-year bond at 7.7 per cent, while the Fed's accelerator has pushed the yield on three-month Treasury bills down to 3.3 per cent. The spread between the two of 440 basis points is unprecedented. The previous record spread was 200 basis points in late 1976 and early 1977. The average spread over the past decade was 172 basis points.

While the stubbornly steep yield curve has annoyed the Fed, which wants lower rates at both ends of the market to stimulate economic activity, financial institutions have rushed to take advantage of the wide spread between short and long rates.

Commercial banks have been keen, if careful, manipulators of the steep yield curve, as shown by their active buying in the past year of longer-dated Treasury securities.

In a classic yield curve play, banks have borrowed in the short-term Fed funds market, where rates on interbank loans range from below 3 per cent to 3.5 per cent, to pay for three-year to seven-year Treasury notes that yield between 4.7 per cent and 6.3 per cent.



Wall Street's securities houses have also reaped the rewards of lower funding costs. Like banks, they have been borrowing short to buy long.

One chief financial officer (CFO) at a big Wall Street bond house agrees the best way to exploit the steep yield curve is to fund short. "You buy one-year US government securities and fund them overnight in the repo [repurchase] market, using the government securities as collateral," he says, thereby exploiting the 200 basis-point spread between the rate on the one-year notes and on the overnight loans.

The CFO says the yield curve is so steep that "it's desirable to fund short regardless of maturity". The risk of doing so, of course, is that short-term interest rates could climb sharply over the next year and wipe out the extra yield available on the longer-dated asset. That, however, is unlikely in the current economic and political climate.

The Federal Reserve, already committed to maintaining low interest rates to help the ailing US economy out of recession, is also under pressure from the White House to keep the cost of credit down before the November presidential election.

Few expect interest rates to go up for at least six to 10 months. "It's as close to being without risk as you can get", says the Wall Street CFO.

> "The market has its foot on the brake harder than the Fed has its foot on the accelerator."

Institutional investors have also been able to take advantage of the steep yield curve, although rather than raising interest-rate risk by switching between the bottom and the top of the curve, investors have concentrated on the smaller, but still profitable, spreads between securities closer together on the yield curve.

Mr Michael Gray, fixed-income portfolio manager at Fidelity, the biggest US investment fund group, says it makes sense to switch into longer-dated paper if you think short-term interest rates will continue to decline. He says: "You can extend your duration modestly, but not increase the risk because of the steepness of the yield curve."

Fidelity's quantitative research department has calculated the financial impact of a Treasury fund switching out of 6-month bills (yielding 3.32 per cent) into two-year notes (yielding 4.23 per cent) for six months. Instead of earning a 1.65 per return on the bills, the fund would enjoy a 2.75 per cent return on the notes over the period, a 110 basis points difference. For a $100m fund, that would bring in an extra $1.1m.

Moreover, the additional risk taken on by moving up the yield curve is not particularly great, calculates Fidelity. The fund would only lose out if interest rates rose 85 basis points during the period, unlikely in the current economic environment.

While the private sector has prospered, government finances have not improved noticeably as a result of the steep yield curve. The Treasury has shied away from playing the interest rate game, although earlier this year it did cut the size of its new 30-year and 10-year bond issues while increasing sales of shorter-dated debt. It was a move aimed at pressing long-term rates lower, rather than reducing government funding costs.

Economists believe the steep yield curve is here for some time. Mr Steve Slifer, chief bond economist at Shearson Lehman, says the curve will not flatten until the market is convinced that the Fed has stopped easing.

Such a shift in sentiment will not happen until the economic recovery has built up a clear head of steam, which means the yield curve will probably continue to look more like a mountain incline and less like a hilly slope well into next year.

Glyn Genin

The long and the short of it: US dealers have reaped rewards from the steep yield curve

Wellcome Trust to reinvest £500m in an index fund

By Maggie Urry in London

WELLCOME Trust, the medical charity, is offering to buy a range of shares in other companies from institutional investors who apply for the shares in Wellcome, the drugs group, that the Trust is selling. The Trust said yesterday it would reinvest at least £500m ($955m) of the proceeds of the £3bn sale of Wellcome shares in an index fund.

Barclays de Zoete Wedd Securities, the stockbroker, is offering a special dealing facility to institutional investors, in the UK or elsewhere, wishing to sell UK shares which could go into the Trust's index fund.

BZW Securities will pay cash for the shares offered to it, at prices prevailing when the tender offer of Wellcome shares closes. However, institutions applying for Wellcome shares are likely to have priority in selling to BZW Securities up to the level of their allocation of Wellcome stock.

The news pleased the stock market, which reversed an early fall after the Wellcome announcement, but dropped when German interest rates were increased. Wellcome shares closed at 877p, down 1p.

The Trust is aiming to sell 330m shares in Wellcome, reducing its stake from 73.5 per cent to 38 per cent, raising about £3bn from the sale. This will be reinvested to give a more diversified portfolio with a higher income.

Mr Roger Gibbs, chairman of the Trust, said yesterday he was "encouraged by the indicated demand to date" for the Wellcome shares on offer.

An international tender which opened on July 6 is expected to close next Friday, after which a strike price will be fixed. Estimates suggest that bids made so far amount to around two-thirds of the shares on offer.

The Trust's concern is over the difficulty of reinvesting £3bn in the stock market without incurring large costs, or seeing the stock market move against it.

By buying shares from institutions to put in the index fund the Trust will be reinvesting some of the money immediately. Settlement for the sale of shares to BZW Securities and for the Wellcome tender will be on the same day.

Mr Simon de Zoete of BZW Securities, said the offer would "create a cost-effective mechanism for the Trust to reinvest its money. As a by-product it will create liquidity for people who may or may not wish to apply for Wellcome shares." Institutions would, for example, be able to sell blocks of shares that they might have had difficulty selling through the stock market in a size and at a price they considered acceptable.

The Trust has appointed BZW Investment Management to run the indexed portion of its investments. BZWIM manages £11bn of indexed funds.

The Trust has appointed J. Henry Schroder Wagg to advise it on the selection of investment managers. In the interim Schroder Investment Management will manage the sale proceeds.

The Trust, with the help of JHSW, is drawing up a shortlist of fund managers for a "beauty parade" in October, and is likely to appoint five or six managers. The Trust's four existing investment managers – Morgan Grenfell, James Capel, Henderson Administration and Fleming – will be on the shortlist.

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Skandia to sell 30% of its US subsidiary

SKANDIA, a leading Swedish insurer, yesterday announced the registration of an initial public offering of 30 per cent of the common stock in its US subsidiary, Skandia America Corp, AP-DJ reports from Stockholm.

SAC is the holding company for Skandia's property and casualty operations in North America, including Skandia America Reinsurance. Skandia has also submitted an application to have SAC listed on the New York Stock Exchange.

The proposed initial public offering is subject to final authorisation by the board of directors of the Skandia group on August 28, and approval by US regulatory authorities.

"The proposed offering is consistent with Skandia's stated intention to reduce its exposure to the reinsurance business over time," said the Swedish insurer. Skandia's life insurance business and primary property and casualty insurance in North America is not affected by the proposal.

Caterpillar moves deeper into the red

By Barbara Durr in Chicago

CATERPILLAR, the world's largest maker of earth-moving equipment, suffered a second-quarter loss of $53m, or 52 cents per share. The group was hit by a drop in sales and the effects of a prolonged strike.

The poor results for the period ending June 30 was the company's sixth consecutive quarterly loss. In the same period last year it lost $17m, or 16 cents per share. Sales fell to $2.6bn, a drop of $91m or 3 per cent, from last year.

Non-US sales plummeted 13 per cent and most of the fall was in recession-hit Europe.

The company said that the five-month strike by 12,600 members of the United Auto Workers Union had resulted in many sales being delayed beyond the second quarter.

The UAW, which is still negotiating a contract agreement with the company, is waging its battle with management by encouraging members to do no more than required on their jobs. Before the strike, Caterpillar workers had frequently participated in co-operation schemes to improve production and cut costs.

For the first six months, losses were $185m, or $1.83 per share, compared with losses of $49m, or 48 cents per share, last year.

Sales and revenues were $4.61bn, $582m lower than the same period last year.

But the company believes it can return to profitability during the second half.

While markets in Europe and Japan are very weak, it said that mild economic growth in North America will help sales and that sales delayed by the strike will be completed.

Europe is the company's main concern regarding its foreign sales, which represented 54 per cent of total sales during the second quarter, against 59 per cent a year ago. "We don't know when [European] markets will come back," Mr Kuchan said.

Mirror Group directors face angry shareholders

By Raymond Snoddy
In London

THE BOARD of Mirror Group Newspapers was yesterday accused of trying to whitewash the Robert Maxwell affair.

The accusations were made at the first annual meeting of MGN since last year's flotation. It was held against a background of overall losses of nearly £500m ($955m), and what was described as probably the largest fraud this century.

The claim that "buckets of whitewash" had been thrown over the role of the MGN board came from Mr Joseph Grizzard, a shareholder and former MGN director in the pre-Maxwell days. He said the board had made it all look like an unfortunate accident which had been beyond the control of all the directors.

Mr Trevor Davis, a Daily Mirror journalist, warned that members of the board would continue to be hounded by questions about what they knew. "In the public eye they are tainted and they should go," he said.

However, in spite of tough questions – more than 80 per cent from employee shareholders – the three-hour meeting was generally low-key. Card votes were forced on accepting the financial accounts and reappointing Mr Roger Eastoe and Mr Bernard Tominey as directors, but the outcome was never in doubt.

The board was supported by Mr John Talbot, administrator to the private Maxwell companies, who holds 54 per cent of MGN and most of the proxy votes.

Sir Robert Clark, chairman, said: "You may as shareholders bang whom you like but the group still has to be managed and run."

He also admitted the board had been advised that there could be claims against the company because of circumstances surrounding the flotation and subsequent events.

Sir Robert said he expected the shares, suspended at 125p since December, would be relisted today. Mr Neil Blackley, media analyst at James Capel, said the share price could fall today to between 50p and 55p.

Sir Robert confirmed that Mr Alan Stephens, company secretary, and Mr Robert Gregory, director of human resources, were subject to internal disciplinary proceedings.

Lex, Page 16

Peat Marwick begins KIO review

By Mark Nicholson,
Middle East Correspondent

KPMG Peat Marwick, the accountancy firm, confirmed yesterday it has begun an assessment commissioned by the Kuwait Investment Office (KIO) into the agency's Spanish investments and said it expected the first stage of the study to be complete in three months.

A spokesman for Peat Marwick, which is KIO's auditor in both London and Spain, said the assessment would examine "the nature and performance" of KIO's investments in Spain, controlled by Torras, the agency's Spanish holding company.

Peat Marwick said the assessment would not initially include recommendations to KIO on its investment strategy in Spain, but that "we can put recommendations in, as requested, along the line".

The Kuwait government announced on Wednesday that Peat Marwick would undertake the study of KIO's Spanish holdings following a high-level meeting of the state's ministers and senior KIO executives – a move designed to quiet growing criticism in Spain and Kuwait over KIO's handling of the Ercros crisis.

Ercros, the KIO-controlled Spanish chemicals group which employs more than 10,500 workers, owes $2.15bn and KIO's refusal to make new funds available to the group without assistance from creditor banks and the Spanish government raised a storm of criticism in Madrid.

Peat Marwick said the full assessment of Torras' holdings would take "some time" longer than the initial three months. The firm said there were no plans as yet to broaden the assessment to include any other of KIO's estimated $35bn international investment portfolio.

Losses reach £86m at National Home Loans

By Richard Gourlay in London

NATIONAL Home Loans, the UK mortgage lender that restructured £540m of debt with its banks last month, yesterday reported pre-tax losses of £85.9m ($164.9m), much higher than expected.

The loss included a £79.4m loss provision, £52m of which related to National Mortgage Bank, its banking subsidiary which is being run down and is held in NHL's books at nil value.

As expected, no dividend has been declared on ordinary shares and payment of the convertible preference shares has been passed. The shares are priced at 2¼p.

Mr Jonathan Perry, the executive chairman who took over in February, said the group was now focused entirely on housing finance. Any chance of recovering value for shareholders remained dependent on an improvement in the housing market and in particular on cutting the number of accounts in arrears. Some £20m of provisions reflected non-payment of current interest on mortgages in arrears to National Home Loans Corporation.

Another £28m of provisions covered additional specific and general provisions stemming from continued deterioration in the housing market.

Renault and Peugeot in recycling venture

By William Dawkins in Paris

RENAULT, the French state-owned car maker, and Peugeot, its private sector rival, have agreed to join forces in car recycling.

The pair are to co-operate in what will be France's largest car recycling plant at Athis Mons, south of Paris, based at an existing scrap metal crushing plant owned by Compagnie Française des Ferrailles, a federation of metal crushing and treatment groups.

The plant will recover recyclable materials from 200 cars per day and produce a mixture of re-usable components – fluids such as oil and brake fluid, plastic and rubber granulates for the construction industry and plastic foam for insulation of buildings. However, this will be a small proportion of the 2m cars scrapped in France annually.

Renault and Peugeot have agreed to share research into recycling methods and to study a joint waste collection scheme to collect recyclable materials such as used plastic bumpers from their dealer networks.

Both groups have operated separate pilot recycling plants, where they have researched the most efficient ways of dismantling old cars to make the best use of materials.

Peugeot claims to be able to recycle 95 per cent of the content of disused cars at a pilot plant near Lyons, operated with Compagnies Française des Ferrailles and Ciments Vicat, the Paris-based cement group. However, the plant capacity is 16 vehicles per day.

Renault has a test recycling centre at its Flins assembly plant near Paris.

Correction

Fiat/N H Geotech

N H Geotech holds 80 per cent and Fiat-Hitachi Excavators holds 20 per cent of F H Construction Equipment, the recently established construction equipment company. Due to a transmission error this was incorrectly reported in the Financial Times on July 15.

Battle for Germany's domestic skies

Leslie Colitt and Daniel Green on Lufthansa's challenge to BA

BRITISH Airways' efforts to stay in the lucrative German domestic airline market are being challenged by Lufthansa, which is set to launch a budget rival airline.

At the centre of the battle is the custom of high-spending business passengers in Europe's biggest country.

BA ran air services between Berlin and west Germany throughout the cold war following the allies occupation.

German reunification in 1989 ended this special status. As a foreign-owned airline, it is being forced to close its international service by 1994.

However, last month's agreement in Brussels to deregulate European air travel may eventually allow foreign carriers to operate within Germany.

BA has determined to keep a strong presence in Germany. It found financial backing from a consortium of German banks for its plan to form a German airline, Deutsche BA. The banks hold 51 per cent of Deutsche BA so that it qualifies as a German airline.

The consortium bought Delta Air, a regional airline in Friedrichshafen which was fully absorbed into Deutsche BA. Through the takeover, BA and its new partners gained control of one of the lowest-cost German carriers. It breaks even with only half its seats filled.

Last month it inaugurated its Berlin-Munich and Berlin-Stuttgart routes using three new leased Boeing 737/300s. Delta's old fleet of Saab 340s serves 19 other European destinations.

Berlin-Düsseldorf and Berlin-Cologne/Bonn will be added this autumn when BA winds down its old German service, well ahead of schedule.

Mr Gerd Leidinger, Deutsche BA's spokesman, said that by next year London, Paris, Zurich, Spain and Italy would be served. Once long-range aircraft were available, the new airline would also fly to North America and the Far East from Munich and Berlin. By the end of March 1993, the first trading year, the new airline plans DM200m ($131.5m) in ticket sales.

Mr Leidinger said that while Deutsche BA was a low-cost carrier it was not a "low-price" one and would charge the same fares as Lufthansa. "Our difference will be in product and service," he said. Meals would be served for the first time on all routes.

Since cutting costs was a priority, it was made clear from the start that personnel would not be hired directly from BA's high-cost internal German service.

Advertisements were run in German newspapers and out of 180 BA cabin staff only five stewardesses applied and were hired by Deutsche BA.

Some 240 of BA's staff in Berlin were made redundant, although BA will continue to employ more than 700 people in Germany because of a passenger handling contract it signed with Deutsche BA.

Wages of Deutsche BA's pilots and stewardesses are a notch below those paid even by Südflug, a low-cost subsidiary of Lufthansa's Condor charter airline, according to Mr Leidinger.

Lufthansa, the German loss-making state-controlled carrier, is responding by putting its domestic services into a new airline, Lufthansa Express, from November. Lufthansa Express will be a separate profit centre and may eventually be formed into a separate company.

At first, it will take over the most heavily used Lufthansa routes and then the parent airline's entire domestic service by next April, using 65 to 70 aircraft.

Lufthansa said that the airline hoped to achieve significant cost savings to eliminate the DM350m loss last year on the German domestic service.

Staff costs are to be cut by offering Lufthansa personnel, who face a wave of redundancies in the near future, jobs for less pay with the new airline.

Aircraft and crews will always return to their home base at the end of the day, cutting out accommodation costs.

And quick check-in procedures, tight controls on costly delays and the use of flexible pricing are all being tried to help make Lufthansa Express a lean and hungry division of its still-lumbering parent.

Haberer queries rule timing

MR Jean-Yves Haberer, chairman of Crédit Lyonnais, the French state-owned bank, said the poor economic climate should make international authorities reconsider the date for applying new rules on bank capital levels, Reuter reports from Paris.

"Is it not clearly an error to keep next December 31 as the first date of application of the Cooke ratio, because when that date was set five or six years ago we did not know where the economic cycle would be," Mr Haberer said. By the end of this year banks would be required to have a ratio of capital to weighted risk assets of at least 8 per cent.

Mr Haberer, who singled out reasons for the slow recovery of the US economy, said that banks were having to trim their assets rather than grant credit.

Crédit Lyonnais whose Cooke ratio stood at 8.77 per cent at the end of 1991, would have no problem meeting the new rules, he said.

Nippon Credit property loan fears

By Emiko Terazono
in Tokyo

INVESTOR confidence in Nippon Credit Bank, one of Japan's three long-term credit banks, has been shaken by concern about bad and doubtful property loans.

Nippon Credit shares have fallen 4.5 per cent this week while the bank's five-year debenture has moved out of line with the market.

Nippon Credit is the smallest of the country's three long-term credit banks. Its loan exposure to the real estate, construction and financial companies is over 40 per cent.

COMPANY NEWS IN BRIEF

Efim chairman resigns

MR GAETANO Mancini, chairman of Italian state holding company, Ente Partecipazioni e Finanziamento Industria Manifatturiera (Efim), has resigned, AP-DJ reports from Rome. The move is designed to pave the way for the liquidation of the debt-ridden company.

A decision is expected today to liquidate Efim, or to transfer it to state industrial group, Istituto per la Ricostruzione Industriale (IRI).

Efim is the smallest of the state's three key holding companies, after IRI and energy conglomerate Ente Nationale Idrocarburi (ENI). Its debt stood at L8,000bn ($7.1bn) at the end of 1991.

■ Borsumij Wehry of the Netherlands has agreed to acquire the Ceteco Holding trading and consumer durables subsidiary of Van Ommeren in stages over the next two years, AP-DJ reports from Amsterdam.

Hague-based Borsumij, a big trading group, will initially buy 51 per cent of Ceteco from Van Ommeren, which is based in Rotterdam and specialises in tank storage and transport activities.

Van Ommeren wants to move out of trading and concentrate on core activities.

■ Maerz, the brewery group, will take a 33 per cent stake in A. Moksel before seeking a majority stake in the German meat processor, Reuter reports from Munich.

Maerz said it signed transaction agreements with Moksel's biggest shareholder, Alexander Moksel. The deal requires the final approval of Germany's Federal Cartel Office.

Halcion scare still taking toll at Upjohn

By Karen Zagor in New York

THE HALCION sleeping pill controversy continued to take its toll on Upjohn, the US pharmaceuticals group, which posted essentially flat second-quarter earnings.

Upjohn had warned Wall Street that its second-quarter profits would be flat or below the previous year's performance. Shares in the company added $⅝ to $32 at midday on the New York Stock Exchange.

For the three months to June 30, net earnings were $129.9m, or 72 cents a share, against $127.5m, or 70 cents, in the same period of 1991. Sales rose 3 per cent to $883.6m from $859.4m.

Sales of Halcion dropped 50 per cent in the 1992 second quarter. Halcion was the world's fastest-selling sleeping pill, and one of Upjohn's main money-spinners, before concerns about possible side-effects sparked an international debate.

Net earnings in the 1992 quarter were helped by a lower tax rate. The company's operating income fell almost 5 per cent, to $160m from $168m, while pre-tax income eased to $171m from $175m.

Upjohn said sales of its Rogaine hair-loss treatment also fell in the quarter, as did sales of its Ansaid non-steroid anti-inflammatory agent. The declines were offset by higher sales of Upjohn's Xanax anti-anxiety drug and its Provera progestational drug.

Upjohn is stepping up its efforts to get new products on the market to offset the impact of several of its important drugs losing their patents in the next two years.

For the first half, net income was $273.6m, or $1.52 a share, compared with $260.8m, or $1.43, a year earlier. Sales rose 6 per cent to $1.76bn from $1.66bn.

Royalties help Zenith reduce loss to $15.2m

By Barbara Durr in Chicago

ZENITH Electronics, the struggling US television manufacturer, reported a second quarter loss of $15.2m, or 52 cents per share, on sales of $280m.

This is an improvement over the same period last year, when losses were $26.9m, or 92 cents, on sales of $275m.

Royalty income of $13m this time helped boost results. Mr Jerry Pearlman, chairman, said the royalties came from colour TV and VCR manufacturers taking licences on Zenith's tuner technology. Zenith holds patents on most of the cable-compatible TVs and VCRs on the US market.

The results, however, were affected by delays in shipments of the company's new flat tension mask monitors, or flat screens, due to start up problems and customer requests for upgrades. While consumer electronics shipments increased in the quarter, lower prices on colour televisions hurt margins.

Although the company has implemented cost-reduction programmes, it expects another full-year loss.

For the first six months, losses were $43.8m, or $1.50, compared with losses of $50.6m, or $1.77, last year.

Credit card gives boost to AT&T

By Martin Dickson in New York

AMERICAN Telephone and Telegraph, the US telecommunications and computer group, yesterday reported a 3.5 per cent increase in second quarter net income. It said its credit card, launched in 1990, had moved into profit for the first time in June.

Mr Alex Mandl, chief financial officer, said the group was targeting "strong earnings for the second half and 1992".

AT&T reported net income of $961m, compared with $928m in the same period of last year, when the figure included an $87m, or 7 cents-a-share, after-tax gain from the sale of its stake in Sun Microsystems, the computer manufacturer.

However, earnings per share were unchanged, at 72 cents, between the two quarters because of the issuance of more AT&T shares. Revenues rose from $15.72bn to $15.84bn.

The group's telecommunications services revenues grew $215m, or 2.2 per cent, to $9.85bn, while long-distance calling volume rose more than 6 per cent. The gains were concentrated in business services.

The AT&T Universal card, a credit card which can be used for general purchases as well as phone calls, was a big contributor to a 43 per cent jump, to $425m, in financial services revenues.

AT&T said it was now the third-largest credit card issuer in the US, with 9.5m accounts and 14m cards issued. At 2 per cent its delinquency rate was well below the industry average.

The group's revenues from products and systems dropped 5 per cent to $3.84bn. Network communications sales declined as US customers deferred purchases, while consumer product and large business phone system sales were flat.

NCR, the computer group taken over by AT&T last year and merged with its own computer operations, suffered from the weakness of the computer market, particularly in Europe and east Asia. However it continued to report strong orders in the US.

Although it made operating income of $98m, AT&T acknowledged that, on a like-for-like basis, NCR's revenues probably declined slightly in the quarter, compared with the independent company's figures in the second quarter of last year.

For the first six months, AT&T made net income of $1.84bn, or $1.39 a share, compared with income of $1.67bn, or $1.31, last year. Revenues rose slightly from $31bn to $31.2bn.

Stock payout hits Time Warner

By Alan Friedman in New York

TIME WARNER, the leading US media and entertainment group, yesterday showed a solid advance in its second-quarter operating earnings, but incurred a $147m loss after the payment of dividends on preferred stock. The stock was issued at the time of the 1989 merger of Time and Warner.

The $147m after-dividend loss was down from a $179m deficit a year ago. The loss per share was reduced to $1.59 from $3.10 a year ago.

Group revenues in the quarter rose 8.6 per cent year-on-year, to $3.1bn.

Time Warner's operating income before depreciation and amortisation was $612m, against $551m a year ago.

The strongest divisional performers were the cable business, with a record $244m against $220m last time, and music, which earned $126m, against $116m a year ago.

The group's Hollywood studio also turned in a record $101m operating profit, up from $85m. This was attributable to heavy box office receipts from films such a Batman Returns and Lethal Weapon III.

Advertising and circulation gains at Time and People magazines helped the publishing division to earn $88m, compared with $79m a year ago.

The Home Box Office cable programming business made $53m, up slightly from $51m in the same period of 1991.

Time Warner said its net income for the second quarter was $9m, compared with a $32m loss in the second quarter of last year. Some analysts, however, say this is a misleading figure because the group's real bottom line is its performance after dividend payments.

Ms Jessica Reif, an entertainment analyst at Oppenheimer, said the group's operating earnings were "great". However she said the $9m net income figure was not a fair measure because the ultimate loss was $147m.

On Wall Street, the Time Warner share price was down by ⅞ at $114.

● McGraw-Hill, the media group that owns Business Week magazine, disclosed a 10.7 per cent rise in second-quarter net income, to $38.6m.

Earnings per share were 79 cents against 71 cents a year ago.

Revenues for the three months to June 30 grew 6 per cent to $484.3m.

McGraw-Hill's share price was marked $1 higher to $57⅞.

Waste Management advances

By Karen Zagor

WASTE Management, the US waste disposal group, yesterday reported an 11 per cent improvement in underlying second-quarter net income, to $213.8m, or 43 cents a share, from $193m, or 39 cents, a year earlier.

Earnings in both years were distorted by special items which brought reported 1992 second-quarter net income to $329.5m, or 66 cents, compared with $206.9m, or 42 cents, last year.

The latest quarter included an extraordinary gain of 23 cents a share. A year earlier, net earnings included one-time gains of about 3 cents a share.

Revenues rose to $2.18bn from $1.88bn.

For the first half, Waste Management had net income of $450m, or 91 cents, on revenues of $4.2bn, compared with earnings of $372.6m, or 76 cents, on revenues of $3.63bn in the first six months of 1991.

Stripping out one-time items, the company said its first-half net earnings rose 13 per cent to $405.9m, or 82 cents, from $358.6m or 73 cents.

Philip Morris net climbs 19.6%

By Nikki Tait in New York

PHILIP Morris, the cigarette, food and beer manufacturer, reported a 19.6 per cent increase in second-quarter after-tax profits to $1.35bn.

The double-digit advance was scored on a 2.6 per cent increase in revenues, to $15.2bn. It takes Philip Morris's net profits for the first half of 1992 to $2.45bn. In the same period of 1991, it made $2.05bn — ahead of an accounting change charge.

Mr Michael Miles, chairman, said: "We expect the company's strong net earnings trend to continue for the remainder of the year."

On the tobacco front, Philip Morris saw second-quarter operating profits rise 13.6 per cent to $1.96bn, on revenues of $6.57bn, with international tobacco operations chipping in $499m against $435m.

Cigarette volume was down 2.3 per cent at $163.2bn. The company blamed this on delayed shipments to Russia "pending the resolution of financing arrangements".

Although Philip Morris's share of the domestic premium brand market slipped to 36.6 per cent, from 37.2 per cent, its total domestic market share improved from 44.6 to 45 per cent year-on-year.

In the food division, operating profits were 7 per cent higher at $845m, on revenues of $7.33bn, against $7.24bn, with the international side contributing $238m compared with $201m. Beer profits were $115m, against $103m, on sales of $1.16bn.

The company bought in 11.6m shares at a cost of $870m during the quarter.

LTV and union close to settling contract dispute

LTV and the United Steelworkers Union have reached a tentative agreement to settle a contract dispute, officials from the company and the union said yesterday, AP-DJ reports.

LTV, the US's second largest steel company, had sought to nullify its contract with the United Steelworkers of America and to change the benefits of its 47,000 retirees.

The union said it would strike if the contract were scrapped.

However, LTV said the company agreed to withdraw a court petition seeking to nullify the contract.

Details of the agreement will be presented to steelworkers before general release.

Colgate profits surge 33% to $124m

By Karen Zagor

COLGATE-Palmolive, the US consumer products group, yesterday unveiled a 33 per cent improvement in second-quarter net earnings, on sales which rose 19 per cent.

Net income was $124.4m in the three months to June 30, on sales of $1.8bn, compared with earnings of $93.3m on sales of $3.4bn the previous year.

Earnings per share rose 14 per cent to 75 cents from 66 cents. There were more shares outstanding in the latest quarter.

Earnings before interest and taxes advanced 25 per cent in the quarter to $204.5m.

The results were in line with expectations, and shares in Colgate-Palmolive held steady on Wall Street at $53¼ at midday.

For the first half of 1992, net income grew 29 per cent to $238.2m on sales up 14 per cent to $3.4bn. Earnings per share stood at $1.49 compared with $1.31. Earnings before interest and taxes grew 22 per cent to $396.4m.

Mr Reuben Mark, chairman and chief executive, said the company's gross profit margin improved to 47.1 per cent from 45.5 per cent in the 1991 second quarter. He attributed the improvement to a growing proportion of high-margin personal care business and production efficiencies.

RJR signs Russian cigarette venture

By Nikki Tait

RJ REYNOLDS Tobacco, part of the large RJR Nabisco food and tobacco group, is to begin manufacturing cigarettes in Russia.

The US group announced it had reached a partnership agreement with AS-Petro, a Russian cigarette manufacturer.

It claims that this is the first large investment by a foreign company in a private cigarette enterprise in Russia.

RJR said it would make a "substantial investment" in new equipment for the factory, but disclosed no figures. It said that after the new machinery was installed, RJR-Petro's annual production capacity would rise to 22bn cigarettes, to make it Russia's largest cigarette producer.

American-blend brands "will be phased in as component sourcing is resolved".

The former Soviet Union is seen as one of the biggest potential new markets for US cigarette manufacturers, which face steadily declining demand in their home market.

An acute cigarette shortage in Russia two years ago was eased by emergency imports from the West, but RJR estimated yesterday that an annual shortage of 100bn cigarettes still existed.

Canadian gold merger nearer

THE merger of Homestake Mining with Canada's International Corona to form North America's largest gold producer has only one step to go, writes Robert Gibbens in Montreal.

Homestake's shareholders in San Francisco approved the US$400m share exchange offer. It requires approval of 90 per cent of Corona's shareholders by July 22.

In Memory of
John F. Sipple-Asher
President of the Grocery Products Division

Reginald F. Lewis,
the entire Board of Directors,
his many friends and colleagues,
and the men and women of
TLC Beatrice International Holdings, Inc.

INTERNATIONAL COMPANIES AND FINANCE

Anglo American profits decline 18% in quarter

By Philip Gawith in Johannesburg

PROFITS from the gold operations of Anglo American, the world's largest producer, dropped by 18 per cent during the June quarter following lower contributions from Freegold and Western Deep Levels.

Although gold production rose fractionally to 63,799kg from 63,490kg the previous quarter, total working costs were 2.6 per cent higher at R1.72bn ($628m) compared with R1.67bn last year. The average rand gold price received was 2.2 per cent lower at R32,749 per kg compared with R33,483 per kg. Profit after capital expenditure fell 17.7 per cent to R137.4m from R167m last year.

Mr Clem Sunter, chairman of Anglo's gold and uranium division, said the main issue facing the group was to deal with problems at Western Deep Levels where a string of mine accidents claimed 46 lives this year, disrupting production and sapping the morale of the workforce.

Available profits at the mine dropped by 35 per cent to R10.9m from R16.8m last quarter and R30.1m in the June quarter last year.

Although monthly gold production improved steadily – quarterly production was 1.1 per cent up at 9,096kg over the March figure – the catalogue of accidents meant the mine was still some way off good health. Gold production in the June quarter last year was 10,430kg.

Western Deep Levels is the deepest gold mine in the world, with mining down to depths of 3,800m below the surface. Mr Lionel Hewitt, managing director, said a number of steps were being taken to improve safety He said the mine, where two thirds of the deaths have occurred, had a safety record last year above the industry average.

The other mine to suffer a significant fall in profits was Freegold where available profits dropped to R61.8m from R81.7m.

Mr Hewitt said this was a result of gold production dropping slightly to 28,059kg from 28,337kg, a lower gold price of R32,863 per kg and working costs rising by 4 per cent to R819m from R789m.

Available profits at Vaal Reefs were unchanged at R48.6m.

Elandsrand had a very good production quarter, lifting production by 11.6 per cent to 4,852kg from 4,104kg while profits at Ergo dropped to R5.1m from R7.5m.

Samsung purchases German company

By John Burton in Seoul

SAMSUNG, South Korea's largest conglomerate, has purchased Werk für Fernsehelektronik (WF), a leading electronics company in the former East Germany, for $20m.

Berlin-based WF will be managed by Samsung Electron Devices (SED), the cathode ray tube subsidiary, in what is the first acquisition of an east German concern by a South Korean company.

WF employs 1,220 people and produces 1.2m colour television tubes annually. SED will invest an additional $120m in WF to increase its annual production of colour television picture tubes to 2.5m by 1997. The European demand for colour television tubes is 20m.

Samsung has colour television factories in Portugal and Hungary and manufactures microwave ovens, VCRs and facsimile machines in the UK, VCRs in Spain and refrigerators in Czechoslovakia. Samsung provides colour television tubes to European electronics makers.

Samsung acquired WF from the Treuhandanstalt in competitive bidding against Philips of the Netherlands, Thomson of France and Toshiba of Japan.

Treuhandanstalt agreed that Samsung would not have to assume any of WF's debts and the German government promised to help provide investment for the installation of a new assembly line.

Tokyo builder misses payments

By Robert Thomson in Tokyo

WATAKYU Kensetsu, a Tokyo-based builder of apartments and office buildings with outstanding debts of Y145bn ($1.16bn), admitted yesterday to missing two payment deadlines, but still hoped to avoid collapse.

The company blamed the non-payment on unsuccessful dealings with a non-bank financial institution.

However, Teikoku Data Bank, a credit research agency, said that Watakyu's banks had cut credit lines and that the company was virtually insolvent.

Watakyu admitted that a sluggish property market and heavy interest burdens had weakened the company, which has a Y140bn condominium complex under construction in Niigata, central Japan.

The company, founded in 1973, said the Niigata project would go ahead if its banks and other creditors provided the necessary finance.

Watakyu's difficulties are typical of those facing small and medium size developers which have expanded from traditional niche markets in apartments to building large resorts or apartment complexes.

A glut of apartments has forced prices down by 50 per cent over the past two years in some areas, and developers complain they are under pressure because purchasers have failed to meet their payment deadlines.

Kirin forecasts earnings fall

By Robert Thomson

KIRIN Brewery, Japan's largest brewer, yesterday blamed appraisal losses on its securities holdings for an unexpectedly poor pre-tax profit forecast of Y32bn ($256m) for the first half to end June, down from Y36.9bn last year.

Sales for the six months are estimated to have risen by 5 per cent to Y610bn, with beer sales about 4 per cent higher by volume, and demand strong for its growing range of pharmaceutical products.

However, like many Japanese companies, Kirin has traditionally bolstered profits through stock sales, and the collapse of Tokyo stock prices has forced it to book appraisal losses on its short-term holdings of stocks.

Kirin has regained market share over the past year, after having suffered in a Japanese beer market flooded with new products. The company faces steep marketing costs for its own new products, and is concerned about the impact of a mild Japanese summer.

For the full year, Kirin is forecasting sales of Y1,380bn, up from Y1,315bn last year, and a pre-tax profit of Y87bn, compared with last year's Y86.4bn, although a downward revision is likely if Tokyo stock prices remain weak.

Ricoh buys French distributor

By Emiko Terazono in Tokyo

RICOH, the Japanese office equipment manufacturer, yesterday announced that it would acquire SMO Bureautique, a distribution subsidiary of Metrologie International, the French electrical equipment company.

Ricoh's Fr202.5m ($49m) purchase follows that by Canon, another Japanese office supply maker, in establishing independent manufacturing and distribution operations in France.

The move comes at a time when Japanese companies are refocusing their investments towards core domestic businesses. Overseas acquisitions by Japanese companies have declined sharply as the fall in the stock and real estate markets have squeezed companies' cash flow.

Ricoh said the move was strategically important, as a quarter of its sales in Europe was generated in France. Its production line in Colmar, Alsace, has been manufacturing photocopiers, facsimile machines and other office equipment since 1987.

Ricoh said there would be no drastic restructuring of operations at SMO Bureautique, which employs over 800 staff.

General Electric improves 8%

By Karen Zagor in New York

GENERAL Electric, the US group with interests ranging from power systems to financial services, turned in an 8 per cent improvement in second quarter earnings, in line with expectations, but said it would halt its $10bn stock buy-back programme at the $5bn level.

Mr Jack Welch, chairman, said the company would complete the stock buy-back programme before the end of the year. "By taking this action during this uncertain economic period, the company assures its triple-A debt rating and maintains the financial flexibility to take advantage of global recovery opportunities.

"The company will, however, continue to repurchase on an ongoing basis shares required for employee programmes. These purchases should amount to approximately $400m annually," he said.

He added that GE had no plans for any significant acquisition.

For the second quarter, net earnings totalled $1.22bn, or $1.42 a share, against $1.13bn, or $1.30, in the same period of 1991. Consolidated revenues advanced 4 per cent to $15.4bn from $14.8bn.

Net earnings for the first six months of 1992 rose 7 per cent to $2.274bn from $2.130bn. Earnings per share were 9 per cent higher at $2.65 against $2.44.

Consolidated revenues were up 3 per cent at $28.9bn from $28.1bn.

During the quarter, GE's operating margin slid to 12.6 per cent from 12.9 per cent in the 1991 second quarter. The decline reflects significant pricing pressures.

Earnings from GE's financial services grew 24 per cent, thanks to double-digit increases at GE Capital, its main asset-holding arm and Kidder, Peabody, its stockbroking arm.

The company said its NBC television network also recorded double digit growth.

GE will increase its quarterly dividend by 7.3 per cent, or 4 cents a share, to 59 cents effective with its September third-quarter dividend.

Gengold shelves development plans

By Philip Gawith

GENGOLD, the gold arm of South Africa's Gencor group, has been forced to mothball the developing Weltevreden mine and shelve plans to deepen a shaft at Winkelhaak because of a weak gold price.

Mr Gary Maude, managing director, said work had been stopped at Weltevreden because the gold price was 41 per cent lower than envisaged when the project was undertaken. He said a price of R45,000 ($16,304) per kilogram would be needed to restart the *project. The current price is* under R31,000 per kilogram.

Mr Maude said the Winkelhaak shaft would be viable at a gold price of R32,000 a kilogram. The price, however, was weakening.

The average price received by group mines in the June quarter was R32,071 per kilogram.

Previously announced plans to merge Winkelhaak and Kinross Gold Mines would be delayed.

A feature of the group's results for the quarter was the substantial contribution to *profits from hedging.* Mr Maude said the group had made hedging profits of R16.8m during the quarter from the forward selling of nearly 147,000 ounces of production.

He added that hedging prof*its had accounted for about* one third of the 5 per cent improvement in group after-tax profits, to R70.6m compared with the previous quarter. Gengold mines hedge up to 20 per cent of production.

The R1.3bn first-phase capital programme for Oryx mine in the Orange Free State is continuing.

Sanyo to reduce workforce by 2,000 people

SANYO Electric plans to reduce its workforce by about 2,000 people by March 1996, Reuter reports from Tokyo.

The company said it would not lay off any of its 30,000 workers, but would allow numbers *to fall by not hiring* employees to replace those who retired. It plans to cut mainly at production units.

US newspaper group rises 4% to $98.7m

By Alan Friedman in New York

GANNETT, the US publisher of 81 daily newspapers, including USA Today, said a recovery in advertising revenues helped it to a 4 per cent rise in net profits for the second quarter *of 1992.*

The Virginia-based company said that its second-quarter net profit was $98.74m, while earnings per share had improved 13 per cent to 69 cents.

Gannett said that its second quarter operating revenues were 2 per cent higher at $892.1m.

Operating income for the quarter was, meanwhile, 9 per cent up at $176.7m.

The company said that its newspaper publishing earnings rose mainly due to higher advertising and circulation revenues, along with significantly lower newsprint costs.

At USA Today, the national daily, paid advertising pages increased by 3 per cent during the quarter.

Broadcasting revenues were unchanged at $97.5m as the *revenues from Gannett's* 10 television stations increased by 2 per cent while revenues from its 15 radio stations declined.

Revenues from outdoor advertising division, the largest such company in North America, fell 4 per cent to $66.8m in the quarter.

For the first six months of 1992, earnings per share were 16 per cent higher at $1.07.

Net income was $154.2m, compared with $145.1m in the first half of 1991 while operating revenues were 1 per cent better at $1.7bn.

Equitable Life sets share price at $9 each

By Nikki Tait

EQUITABLE Life, the large but troubled US insurance company, yesterday finally set the price at which it is selling shares to investors at $9 apiece.

This is well below Equitable's initial expectations of $11 to $14.

The flotation of 43.5m shares is the final step in a lengthy conversion process, transforming the Equitable from a mutual insurance company (controlled essentially by its policyholders) to a conventional shareholder-owned business.

The Equitable conversion is the largest demutualisation *scheme to have taken place in* the US.

The first step in the demutualisation process took place last July when Axa, the French insurer, agreed to invest $1bn in the Equitable in return for a large minority stake in the US insurer when conversion took place.

The size of that stake depended on the price at which shares were floated; yesterday's decision means that Axa will get 49 per cent of the common stock.

Equitable's policyholders, who received a "free" handout of shares in the demutualisation process, will own about 19 per cent of the equity.

The flotation of shares to outside investors will raise only $361m.

Of this, $220m will go to pay dividends and expenses, and $72m will fund cash payments and policy credits for policyholders.

About $69m will be used to increase Equitable's statutory surplus.

ملكاً من الأصل

INTERNATIONAL CAPITAL MARKETS

NatWest to securitise loans to companies

By Simon London

NATIONAL Westminster is set to become the first UK bank to securitise loans made to companies, taking the assets off balance sheet and increasing its capacity to lend.

The bank yesterday announced a $500m US commercial paper programme which will be backed by participations in syndicated loans and revolving credit facilities to European companies.

The commercial paper will be issued through a special purpose company, Thames Funding, based in Delaware. The company will buy loan participations from NatWest, via another Cayman Islands subsidiary, and will fund the purchases by issuing asset-backed securities.

Securitisation has been used by UK banks to take mortgage loans off balance sheet. Earlier this year the Bank of England issued guidelines for the securitisation of credit card loans.

Mr Malcolm Veale, head of securitisation at NatWest, said the programme would provide floating-rate dollar funding at a level close to the London interbank offered rate.

In addition, by taking the loans off balance sheet, NatWest liberates capital which can be used to make new loans. Mr Veale said that the bank currently has surplus capital but was making a long-term commitment to securitisation as a method of funding.

NatWest has not identified which loans will be securitised. Mr Veale said companies had raised no objections during informal discussions.

Paper issued by Thames Funding will carry top A1/P1 credit ratings from Moody's and Standard & Poor's, the US credit rating agencies, because all of the underlying loans are to companies which also carry a top rating. It is likely NatWest will securitise low-margin loans to big companies, signed in the late-1980s when lending margins were very tight.

European markets rally as rise is confined to discount rate

By Simon London

EUROPEAN government bond markets rose sharply yesterday following the Bundesbank's decision to raise the discount rate by 0.75 per cent to 8.75 per cent, but fell back later in the day as dealers sold into the rally.

Most markets were braced for a rise in the Lombard rate, which sets German money market interest rates and would have increased tensions within the European monetary system.

Although the rise in the discount rate was more vigorous than expected, the move was seen as unlikely to lead to higher interest rates throughout the community.

German government paper showed strong gains immediately after the rate rise was announced. On the London International Financial Futures Exchange, the September bund future rose from 87.74 at the opening to hit a high of 88.01 before falling back.

During late afternoon the market slid as dealers sold paper into the rally. The September contract closed at 87.68, down on the day. Volume was strong at 65,000 contracts.

There was hectic trading at the shorter end of the yield curve as investors re-assessed

GOVERNMENT BONDS

the outlook for German interest rates. Bundesbank officials said the discount rate was unlikely to fall below 8 per cent this year.

Liffe saw record trading volume in its three-month D-Mark interest rate future. Around 89,000 contracts were traded.

The Italian Treasury responded to the Bundesbank action by raising its discount rate. The Belgian authorities also tightened monetary conditions. Italian government bonds closed slightly higher on the day, with the benchmark 10-year fixed-rate bond closing on a yield of 13.47 per cent.

The biggest losses were seen in the French market, which rallied in the morning session as traders speculated that the Bundesbank would leave monetary conditions unchanged. The benchmark 8.5 per cent OAT maturing 2002 closed down around ¼ of a point, for a yield of 8.85 per cent.

■ THE UK government bond market was one of only a few European markets to retain the best of the day's gains and long-dated gilts closed around ⅛ of a point higher.

During the morning, the market was encouraged by average earnings statistics which showed wages growing at an annualised rate of 6.5 per cent during May, from 7 per cent in April. Analysts said the data suggested soft labour market conditions were slowing wage growth and suggested an improving inflation outlook.

The 9 per cent gilt maturing 2008 closed up $\frac{3}{32}$ of a point on the day at 96.31, for a yield of 8.86 per cent. However, with shorter maturities the gains were smaller. The benchmark 10-year stock, the 9 per cent gilt maturing 2002, closed up $\frac{1}{32}$ of a point for a yield of 9.05 per cent.

Short dated stocks were held back by lingering concerns that the UK government may still be forced to raise interest rates. Interbank money was last night trading over 10 per cent, the level of base lending rates, from one month to one year.

However, government officials moved to support sterling in the foreign exchange markets by repeating the commitment to enter a narrow band within the European exchange rate mechanism at a central rate of DM2.95.

■ NEWS of the rise in German interest rates and a sharp fall in weekly jobless claims left US Treasury prices lower across the board yesterday morning.

By midday the benchmark 30-year government bond was down $\frac{13}{32}$ at $103\frac{12}{32}$, yielding 7.654 per cent. The two-year note was also lower at midsession, down $\frac{1}{32}$ at 101¾, to carry a yield of 4.241 per cent.

Treasury prices fell early on after the Bundesbank raised its discount rate. Investors sold Treasuries in the wake of a further widening in the differential between German and US rates and fresh declines in the already weak dollar.

Prices staged a modest recovery soon after the first losses, but when the Labor department announced a 14,000 decline in jobless claims during the first week of July, the market took a further tumble.

■ JAPANESE government bonds closed slightly higher overnight in Tokyo, supported by a stronger yen on the foreign exchange markets.

The benchmark government bond issue No 129 closed the day on a yield of 5.17 per cent, from 5.195 at the opening. Short-dated bonds gained less ahead of the Bundesbank's council meeting. The Japanese currency gained ground following comments by government officials that the US Treasury would accept an exchange rate below Y120.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	107.9684	+0.209	8.80	8.77	8.87
BELGIUM		9.000	06/01	100.7000	-0.150	8.88	8.81	8.93
CANADA *		8.500	04/02	104.4000	+0.300	7.84	7.82	8.17
DENMARK		9.000	11/00	99.3000	+0.030	9.10	9.02	9.11
FRANCE	BTAN	8.500	03/97	97.4800	-0.107	9.16	9.01	8.97
	OAT	8.500	11/02	97.5500	-0.260	8.85	8.73	8.77
GERMANY		8.000	01/02	99.8350	-0.100	8.04	7.96	7.96
ITALY		12.000	05/02	94.2600	+0.010	13.47†	13.28	13.26
JAPAN	No 119	4.800	06/99	97.3913	+0.247	5.31	5.40	5.69
	No 129	6.400	03/00	106.7320	+0.174	5.18	5.20	5.47
NETHERLANDS		8.250	02/02	99.4100	-0.030	8.32	8.28	8.26
SPAIN		11.300	01/02	97.0500	-0.050	11.80	11.59	11.65
UK GILTS		10.000	11/96	102-23	+4/32	9.21	9.08	9.19
		9.750	08/02	104-23	+8/32	9.03	9.00	9.15
		9.000	10/08	101-13	+4/32	8.83	8.80	9.03
US TREASURY *		7.500	05/02	104-05	-5/32	8.91	6.92	7.26
		8.000	11/21	103-28	-16/32	7.66	7.62	7.84
ECU (French Govt)		8.500	03/02	96.4000	-0.200	9.06	8.92	9.01

London closing, *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Gefco launches £100m 15-year Eurobond issue

By Simon London

GEFCO, the UK government-backed export finance agency, took advantage of the relieved tone of the sterling bond market yesterday to make an opportunistic £100m 15-year Eurobond issue.

Long-dated UK government bonds rallied in the afternoon as dealers expressed relief that the German Bundesbank had decided not to increase its Lombard interest rate. Such a move could have led to higher UK interest rates.

The bonds issued yesterday carry a coupon of 9¼ per cent and were re-offered at a fixed price of 99.436. At this level the yield was 30 basis points more than long-dated gilts. The benchmark in the sector, a £500m European Investment Bank issue, trades at around 32 basis points.

The bonds sold almost exclusively to UK institutional investors, although the deal was structured in bearer, Eurosterling form.

Turkey continued its international borrowing programme by launching a $200m five-year issue lead managed by Morgan Stanley International.

The issue is Turkey's second visit to the Eurodollar sector, following a $250m five-year issue, with a put option after three years. The country has also borrowed in the US and Japanese domestic markets.

The earlier Eurodollar deal was bid yesterday at 230 basis points over US Treasury bonds.

INTERNATIONAL BONDS

The new bonds will be priced at a lower yield spread, 210-220 basis points, despite the longer maturity of the bonds.

The pricing was seen as aggressive by some firms, although the lead manager argued that the new bond would still yield substantially more than the outstanding paper due to the steepness of the US Treasury yield curve.

Syndicate officials also grumbled that underwriters' fees of ⅞ per cent were shaved to a level which did not reflect the risk of underwriting the bonds. Morgan Stanley noted that Turkey was an OECD country and now carries an investment grade credit rating. The deal will be priced today.

Borrowers from the emerging markets of Latin America look set to launch another wave of international bond issues following several weeks of only light issuance.

Yesterday, Petrobras, the Brazilian state oil company, launched a $140m two-year floating rate note issue, lead managed by Chase Investment Bank. The deal is the first substantial floating-rate issue by a Latin American borrower since the debt crisis of the early 1980s. The proceeds of the issue will be used to refinance a $250m fixed-rate issue called by Petrobras earlier this year. The bonds fall due for repayment on August 3. The rest of the call will be refinanced out of cash flow.

The paper pays a healthy 425 basis points over the six-month London interbank offered rate.

The flow of issues by Brazilian issuers is likely to be staunched by new government regulations which will restrict international borrowings to maturities of three years or more. Today, Argentina Telecom is expected to launch a $200m five-year fixed-rate issue via J. P. Morgan. Telefonica, another Argentine telecommunications company, is preparing to raise international funding, with bankers expecting a three-year issue via Lehman Brothers.

On Monday, Argentina's credit rating was lifted by two notches to B1 – still four notches below investment grade – by Moody's Investors Service, the US rating agency.

Next week, Banco de Chile, the country's largest private sector bank, is expected to launch a $75m issue – the first international issue by a Chilean borrower since the debt crisis of the 1970s.

● Shares in Thermo Electron, the US technology company, stabilised yesterday following the launch of a $200m five-year convertible bond issue on Wednesday. The shares fell $2⅞ on the day of issue, widening the conversion premium on the 4⅝ per cent bonds from an unusually low 14 per cent to 22 per cent. Lead manager Lehman Brothers yesterday quoted the bonds at 102, from an issue price of par.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Petrobras(c)‡†	140	(c)	100	1994	1⅛/⅞	Chase Invest.Bk.
Thekmo Electron(d)†	200	4⅝	100	1997	2½/1½	Lehman Brothers
STERLING						
GEFCO(a)†	100	9¼	101.361	2008	2¼	BZW
YEN						
Mitsui Fudosan(b)‡†	30bn	(b)	101.175	1997	30/20bp	Nikko Europe
Mitsui Fudosan (a)†	20bn	6.05	101.75	2002	2/1.8	Nomura Intl.

**Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Coupon pays 50bp below 5 year Yen swap rate. Non-callable. c) Coupon payable semi-annually. Coupon pays 425bp above 6 month Libor. Amount increased from $125m. Non-callable. d) Issued 15/7/1992. Call at par after 4 years.

NationsBank turns in 22% income rise

By Alan Friedman in New York

THE recovery trend in US banking continued yesterday when a 22 per cent rise in net income was reported by NationsBank, the large south-eastern regional group formed last year by the merger of C&S Sovran and NCNB.

Yesterday's bank results also included a 65 per cent jump in net profits at the Chicago-based Continental Bank and a profitable quarter for the Connecticut-based Shawmut National, compared with a loss in the second quarter of 1991.

NationsBank's net profit was $251m in the second quarter, up from $206m in the same period last year. Earnings per share were $1, some 14 per cent higher than the 88 cents of a year ago.

The bank, the fourth biggest in the US with $111bn of assets and more than 1,800 offices in 10 states, said net loan write-offs were $141m in the quarter, down significantly from $262m a year ago.

Second quarter bad debt provisions were almost halved year-on-year, from $294m to $150m. Non-performing loans declined by $126m during the quarter, to $1.76bn.

At Continental Bank, second quarter net earnings totalled $51m, up from $31m a year ago. On a per share basis earnings were 78 cent against 41 cents.

Although net interest revenue was unchanged at $119m, Mr Thomas Theobald, chairman, said reduced operating expenses and lower bad debt provisions contributed to the profits rise.

Continental Bank's provisions were $25m against $63m in the second quarter of 1991. Operating expenses dropped by 16 per cent to $134m in the quarter.

Shawmut, an indicator of the state of the New England economy, recorded an $8.6m net profit in the quarter, compared with a $58.7m loss a year ago. Earnings per share were nine cents against a loss of 81 cents.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 5:55 pm on July 16

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield	OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	107⅛	108⅛	+¼	5.09	BAYERISCHE VEREINS INT 7 94 LFr	600	94⅛	95⅛		10.00
ALBERTA PROVINCE 9 3/8 95	600	111⅛	111⅛	+⅛	5.55	COPENHAGEN TEL 8 5/8 96 LFr	600	98⅛	99⅛		9.16
[illegible]						[illegible]					

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	17	26	39
Other Fixed Interest	3	0	12
Commercial, Industrial	218	345	876
Financial & Property	124	109	562
Oil & Gas	12	23	51
Plantations	1	1	7
Mines	51	10	88
Others	36	40	60
Totals	462	554	1,695

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price £	+ or -
[illegible]							

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+ or -
82	Nil	1/9	¼pm	¼pm	Capid 10p	¼pm	
55	Nil	26/8	13pm	13pm	♦Dudley Jenkins	13pm	
69	Nil	21/8	2pm	1¼pm	Monarch Res Units	1½pm	-½
8	Nil	20/7	1pm	¼pm	§Quilligott	¼pm	-¼

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. e Forecast or estimated annualised dividend rate, cover based on previous year's earnings. z Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ♦ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. φ Units comprising 1 Ord and 1 Zero Div. Pref. share.

LIFFE EQUITY OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Alld Lyons	550	70	89	100	1	5	10½
[illegible]							

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
BAA	600	77	97	105	2	8	13
[illegible]							
Brit Aero (*255)	240	29	40	48	10	25	28
	260	18	30	37	20	33	38
	280	10	23	29	33	48	49
Eurotunnel (*330)	330	32	48	60	25	33	38
	360	14	36	46	43	50	57

Option		Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
Glaxo	650	64	83	99	17	33	46
[illegible]							

FT-SE Index Calls 7,651 Puts 8,477
Euro FT-SE Calls 2,205 Puts 1,708
Eurotrack 100 Index Calls 0 Puts 0
*Underlying security price. † Long dated expiry months
Premiums shown are based on closing offer prices

TRADITIONAL OPTIONS

● First Dealings July 6
● Last Dealings July 17
● Last Declarations Oct. 1
● For settlement Oct. 12

3-month call rate indications are also shown on this page.

Calls in Alexon, Conroy Petrlm., T. Cowie, Harlstone, Medeva, Pilkington and Tarmac. Put in ABI Leisure. Put and call in Forte.

TRADITIONAL OPTION 3-month call rates

	p								
■ INDUSTRIALS		Charter Cons.	37	Ladbroke	18	Sears	8½	■ OILS	
Allied-Lyons	49	Comm Union	34	Legal & Gen	29	SmKl Bchm A	60	Aviva Pet	25
Amstrad	6	Courtaulds	43	Lex Service	22	TI	55	BP	18
Astec (BSR)	3	Eurotunnel	32	Lloyds Bank	32	TSB	11½	Burmah Castrol	48
BAT Inds	58	FKI	6	Lonhro	12	Tesco	22	Conroy Pet	6½
BOC	53	FNFC	7	Lucas Inds	12½	Thorn EMI	63	Gaelic Res	½
BTR	35	Forte	19	Marks Spencer	27	T & N	11½	Premier Cons	2¼
Barclays	29	GKN	33	Midland Bank	30	Unilever	70	Shell	35
Blue Circle	24	Gen Accident	38	NatWest Bank	26	Vickers	15	Tuskar Res	½
Boots	34	GEC	17	P & O Dfd	37	Wellcome	75	■ MINES	
Bowater	60	Glaxo	52	Racal Elect	5½	■ PROPERTY		RTZ	47
Brit Aerospace	25	Grand Met	38	RHM	18	Brit Land	18		
British Steel	7	GRE	13	Rank Org	56	Land Sec.	30		
BT	25	Hanson	18	Ratners	3	MEPC	26		
Cadburys	38	ICI	95	Reed Intl	44	Mountleigh	1½		

Cautious outlook despite improved all-round performance

Strong second half boosts GUS

By Angus Foster

GREAT UNIVERSAL Stores, the mail order, financial services and property company, yesterday beat market expectations with a 4.7 per cent profit increase after a strong second half.

Pre-tax profits increased from £438.6m to £459.2m in the year to March 31 on turnover ahead 2.9 per cent at £2.6bn.

After stripping out gains from property trading of £12.1m (£12.2m) and exceptional items of £5.6m (£7.3m), operating profits increased by 5.3 per cent to £441.5m.

Mr Richard Pugh, deputy chairman, said all divisions performed well though the company remained cautious about the economic outlook. "Things are a little better," he said.

Second half profits of £272.6m compared to the interim figure of £186.6m, when turnover was almost unchanged at £1.17bn.

Home shopping, which includes the Great Universal and Kays mail order businesses in the UK, increased trading profits by 5.7 per cent to £195.5m, helped by cost cutting.

Burberrys recovered from a weak first half to lift profits 11 per cent to £32.3m, helped by licensing income in Japan and the US.

Overseas retailing improved by 41 per cent due to a strong performance in South Africa and a small profit, compared to a loss, in Canada.

The financial division saw profits fall slightly from £140.8m to £139.3m. This included investment income, which the company did not reveal, on its cash and bank balances which increased from £474m to "about £590m", Mr Pugh said.

Property rentals on the company's 1,200 sites increased by 5.2 per cent to £62.2m. Property investments were revalued at only 2 per cent below last year's figure.

Earnings increased by 3.38p to 125.1p.

An improved final dividend of 27.25p is proposed, to make a total of 40p (37.5p).

● COMMENT

Yesterday's 43p rise to £14.48 in the A shares is fair reward for good results. But it also reflects the market's renewed, and presumably fickle, enthusiasm for defensive stocks. GUS supporters pointed to lower-than-expected property revaluations and the trading statement that the first two months are ahead of last time. But the 2 per cent mark down follows a 15 per cent devaluation last year, and one wily analyst pointed out that GUS usually comments on the first three months of trading. Perhaps June was not so good. Profit forecasts of £460m "clean" put the shares just shy of 12 times, suggesting further headway from here may be hard work.

MSC takes Peel back into the black

By Richard Gourlay

PEEL HOLDINGS, the property company, yesterday reported a return to profits after taking in a 10 months contribution from the 68 per cent stake in the Manchester Ship Canal Company, which it bought in May last year.

Mr John Whittaker, chairman, said the property recession had been deeper and longer than could ever have been expected. Nevertheless, the group sold properties worth £88.2m at a profit of £1.3m over book value before expenses.

Pre-tax profits for the year to March 31 turned round to £7m, from losses of £8.48m which included exceptional provisions of £6.21m. Earnings per share were 8.12p (losses 5.7p) and the dividend is held at 3p with a final of 2p.

Fully diluted assets per share rose from 289p to 306p.

Mr Whittaker said that when the property market was approaching its peak in 1989, Peel had taken two steps that recognised the market was overheating.

It desisted from new speculative development and started a property sales programme. "Both these decisions were, as events unfolded, extremely well timed as the failure of so many companies in the last two years has been caused by the evaporation of cashflow," said Mr Whittaker.

Net debt at the year end was £335.1m, giving gearing of 110.7 per cent, down from 132.7 per cent. The group intends to sell properties to reduce net debt to about £310m but, in view of the relative strength of the retail investment market, a selective sales approach was to be adopted.

● Manchester Ship announced that a professional valuation of its lands near Ellesmere Port and Warrington, which might be used as dredging deposit grounds, had given rise to a surplus of £11.6m over book values. That would be incorporated into the group's accounts at end-December 1992.

It also said that Cawoods Container Services, which currently operated at the Ellesmere Port container terminal, had given notice of its wish to withdraw.

Manchester Ship received net income of £640,000 from this operation in 1991. Negotiations for the early termination of the agreement had resulted in exceptional net income of £2.43m being included in the group's revenue account for the 1992 first quarter.

This had the effect of increasing shareholders' funds at March 31 to £153.9m, against £137.3m at end-December.

Chequers asks for suspension of shares

By Andrew Bolger

SHARES IN Chequers Group, the renovation contractor, were suspended at 4p yesterday at the company's request pending clarification of its financial position.

Chequers, formerly known as Dean & Bowes Group, warned in May that its financial and trading position had materially worsened and it was only able to keep trading with the support of its bankers, Barclays.

The group also announced yesterday that it had begun legal proceeding against Mr Stephen Dean, its former chairman and chief executive, who resigned in February.

Mr Philip Sims, who took over as chairman and chief executive, said one writ referred to a compensation payment of £200,000 made to Mr Dean which did not receive shareholders' authorisation.

Another writ referred to Mr Dean's failure to complete the acquisition of a loss-making subsidiary of Chequers, Platonoff Harris, the small Cambridge joinery business.

Mr Dean said last night he had not yet received any writs, but they would be strenuously defended. He added: "I strongly deny there is any basis for a claim against me."

He said his compensation payment had been approved by the board, which was advised by the company's lawyers that it did not need shareholders' approval. In any case, all shareholders had been informed about it in a subsequent circular.

The acquisition of Platonoff Harris, he explained, had not been completed on the advice of his lawyers, following a change in information regarding the business.

Mr Sims said he was involved in talks with other parties which might lead to an offer being made for all or part of Chequers. At its suspension price, the group had a market value of £800,000.

Pilkington shares drop 11p on fears of gloomy statement

By Maggie Urry

SHARES IN Pilkington, the glass group, fell 11p to 96p yesterday, following a 6p fall on Wednesday, as stockbrokers anticipated a gloomy statement from Sir Antony Pilkington, chairman, at next week's annual meeting.

One said: "We are looking for a grim statement, life is extremely tough for Pilkington." The group cut its dividend in June when it reported profits of £77m for the year to end-March, after exceptional costs of £37m, down from £151.6m the previous year. Even so the company had to draw on reserves to pay the dividend.

The shares have not been this low since the end of 1985, before BTR, the industrial company, bid for the group in 1986 at a price equivalent to 180.6p. Pilkington's shares have fallen from a peak this year of 164p in May when the stock market was enthusiastic about prospects for economic recovery after the Conservative election victory in April.

A number of analysts have downgraded forecasts for the company's current-year results. Yesterday Kleinwort Benson was reported to have cut its forecast of pre-tax profits for the year to March 1993 to £50m. Other brokers said this forecast had not been sanctioned by the company. Other estimates are in the £60m-£70m range.

When the company reported annual profits in June, Sir Antony said he could not see any sign of an end to the recession. Pilkington's main customers are the building and automotive industries, both badly hit in the recession.

Royal Mint exceeds targets with £11m

By Richard Evans

The Royal Mint exceeded sales and profits targets for the 1991-92 year despite recession and strong competition in overseas markets.

Mr Anthony Garrett, chief executive, said in the Mint's annual report that it was "a highly satisfactory year" given the depressed economic conditions, but because of low demand for coins in the UK, sales dipped from the previous year's record £108.3m to £83m, while operating profits were down from £14.2m to £11m.

However, he regarded a return on sales of 13.3 per cent and a real return on current cost assets of 20 per cent as creditable in the circumstances.

The Treasury received a dividend of £10m, compared with a record £14m the previous year.

Exports of circulating and collector coins to 58 countries amounted to £60.4m (£58.9m) included the first exports to eastern Europe since the 1930s.

Proudfoot shares fall further amid trading uncertainty

By Angus Foster

Trevor Humphries

Lord Stevens, chairman of Proudfoot and Invesco

SHARES IN Alexander Proudfoot, the management consultant, tumbled again yesterday in the face of continuing nervousness about its trading outlook.

The shares lost 22p to 172p and have now fallen by more than 50 per cent since the annual meeting at the end of May.

At the meeting, Proudfoot released a gloomier than expected trading statement. Invesco MIM, Proudfoot's former majority shareholder, also sold its remaining stake. Lord Stevens is chairman of Invesco and Proudfoot.

However, the slide seemed to be halted by news yesterday that Proudfoot had bought back 100,000 shares in the market. Two directors also made small purchases.

Yesterday's fall, as with that on Wednesday, was prompted by a large block of shares changing hands below market value – 600,000 sold at 150p – sending the price just below that level before it recovered.

Mr Neil Hamilton, finance director, has continued a series of meetings with institutional shareholders. Institutions are happy the company is financially sound, with net cash of more than £20m; but they are concerned that Proudfoot did not report earlier that trading was likely to deteriorate.

"The market is in the mood to let its imagination run riot," one institutional shareholder said. He said the sudden departure earlier this week of chief executive Mr Thomas Huhn was not a cause for concern, but the timing had been unfortunate.

Proudfoot has bought back nearly 2m shares since the annual meeting, leaving just over 61m in issue.

Hampson shows 20% decline to £4m but maintains pay-out

By Paul Cheeseright, Midlands Correspondent

HAMPSON INDUSTRIES, the precision engineering, aluminium refining and home products group, saw annual profits drop nearly 20 per cent but had reached the "nadir of its fortunes" according to Mr John Wardle, chairman.

On turnover of £73.1m (£78.5m), pre-tax profits for the year to end-March were £4.06m (£5.04m) – higher than market expectations and helped by a seasonally favourable second half. At the halfway stage the West Midlands-based group achieved pre-tax profits of £1.62m.

Mr Wardle said profits would not decline further in the current year and the dividend, maintained at 2.373p via a same-again final of 1.773p, would not be cut.

Earnings per share were 3.65p, against 4.55p last time.

Trading conditions in the current year have not improved and Mr Wardle made clear "the recession is very firmly with us." The experience of April, when pressure on margins was relieved, has not been repeated.

Mr Wardle's expectation that current year profits will increase is partially based on the fact that in 1991-92 loss-making subsidiaries in the printing, printing machinery and packaging sectors have either been eliminated or sold.

With the exception of the carrying cost of some residual borrowings of the Kenmart operation, consequent charges have been absorbed in the latest figures.

At the same time, the performance of the precision engineering units, largely involved in the refurbishment of aircraft with British Aerospace as a main customer, has been and is likely to remain strong. The order book is full for the next three years.

Precision engineering played a notable role in stabilising the figures: its proportion of profits rose to 56 per cent (46 per cent). By contrast aluminium refining was depressed, with 5 per cent against 14 per cent, and looks likely to remain that way.

Quality Care £4.05m placing

By Chris Tighe

QUALITY CARE Homes, a north-east England-based company which owns and operates nursing homes for the elderly, yesterday placed 3.6m shares at 136p raising £4.05m.

Most of the shares were taken up by institutions.

The company, until now entirely owned by founder and managing director Mr Duncan Bannatyne and his family, has applied to join the main market. Dealings are due to start on Thursday.

The placing comprises 27.2 per cent of the enlarged issued share capital and gives the company a market capitalisation of £18m.

It is forecasting pre-tax profit of not less than £1.75m in the year to end-October. In the first six months turnover was £2.77m, against £3.32m in the full year to end-October 1991.

The company has expanded rapidly since opening its first nursing home at Darlington in 1987.

It has 11 freehold nursing homes providing 540 beds. It aims to have 20 homes, with 1,000 beds, by the end of 1994.

Mr Hamish Grossart, chairman, said the group generated quite strong cash flow but saw the proceeds of the share sale as a means of financing capital expenditure on new homes.

Kewill Systems falls to £2.42m

KEWILL SYSTEMS, the USM-quoted computing services company, yesterday reported reduced full-year profits and announced plans to raise some £2.7m via a subscription for shares by a Guernsey-based unit trust.

Pre-tax profits for the year to end-March fell from £3.73m to £2.42m, on increased turnover of £41.8m (£31.3m). Profits were struck after higher administrative expenses of £23.3m (£16.8m) and a net interest charge up from £358,000 to £700,000.

Mr Kevin Overstall, chairman, said that trading losses of Weigang had forced the company to make full provision in the balance sheet against the carrying value of its investment, leaving a negative balance on distributable reserves and meaning a dividend could not be paid. Last year there was a 5p pay-out.

The board intends to apply to the courts for a reduction of capital to help eliminate this deficit, enabling a distribution in the current year.

To strengthen the balance sheet and reduce gearing Kewill plans to raise a net £2.7m through a subscription for 2.42m shares by The Causeway Smaller Quoted Companies Fund, at 125p a share.

Following completion of the subscription a representative of Causeway will join the Kewill board as a non-executive director.

Earnings per share fell from 31.2p to 19.91p.

Results for the first half of this year will be affected by continuing losses at Weigang.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Brasway ....fin	0.34	Oct 30	0.27	0.58	0.51
Cardiff Property.......int	0.85	Sept 7	0.85	-	2.4
Datepak Foods ....fin	4.5	Oct 1	3.6	6	5
Druck ....fin	6	Oct 1	3.8	9.4	6.6‡
General Cons Inv......int	4.3	Oct 1	4.3	-	10.41
GUS ....fin	27.25	Dec 17	25.5	40	37.5
Hampson Inds ....fin	1.773	Oct 5	1.773	2.373	2.373
Jones Stroud ....fin	5	Oct 17	5	8	8
Moorgate Inv Tst......fin	3.8	Sept 7	3.8	5.5	5.5
Natl Home Loans .....int	nil	-	3.75	-	3.75
Norbain Elect § ....fin	1	Oct 30	0.7	1	0.7
Owners Abroad ....int	0.98	Oct 30	0.9075	-	3.2
Peel ....fin	2	Oct 8	2	3	3
River & Merc ....int	2.25†	Oct 7	1.6	-	8.48
Witan Investment ......int	2.7	Sept 11	2.5	-	5.3

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡For nine months.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Aberforth Smaller Cos. Trust, Grosvenor Dev. Capital, St Andrew Trust, Selective Assets Trust, Throgmorton Trust.

Finals- British Bloodstock Agency, Cray Electronics, Jaques Vert.

FUTURE DATES

Interims-

Automated Security	July 21
Hemingway Properties	July 22
Lasmo	July 29
Rotork	Aug 6
Telegraph	July 29
Thames TV	Sep. 17
Finals-	
British Bio-Technology	July 28
Clayhithe	July 21
Elbief	July 23
Filofax	July 23
Fleming Emerging Markets	July 28
Fleming Overseas Inv	July 21
Lazard Select Inv	July 24
Property Security Inv	July 22
Smith (David S)	July 29
Unitech	July 30
Victoria Carpet	July 20

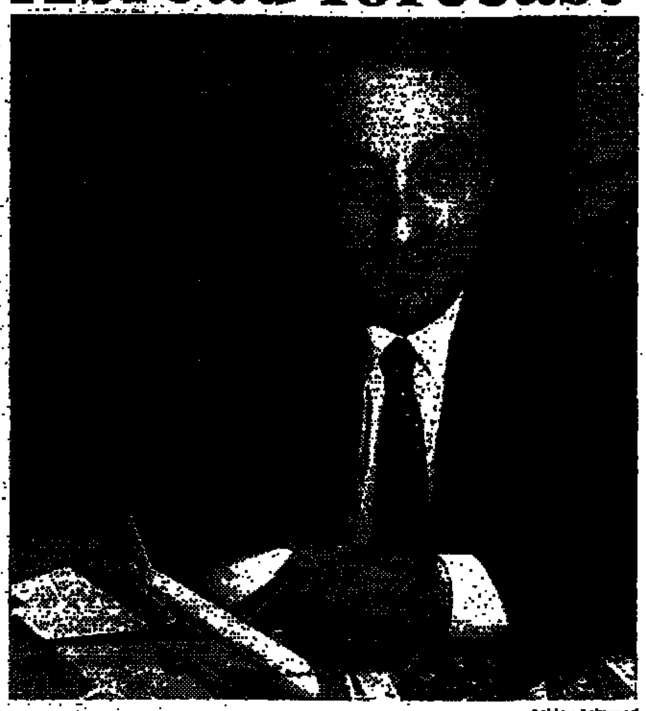
Late bookings cloud Owners Abroad forecast

By Michael Skapinker, Leisure Industries Correspondent

LATE BOOKINGS by holiday-makers have made it impossible to forecast full-year tour operator profits, Owners Abroad, the UK's second largest travel company, said yesterday.

Although bookings have improved in the past few weeks, the expected post-election boom has not materialised. The 1992 package holiday market is likely to be between 6 and 8 per cent bigger than last year, but there are still 500,000 holidays too many on sale, Mr Howard Klein, chairman, said.

Owners Abroad has already cut 100,000 holidays from its programme and is looking at the possibility of further reductions. Mr Klein said that, as in any other retail business, there was bound to be further discounting, but he did not expect the industry to engage in large-scale price-cutting during the peak season, which begins next week. "We are not in a late 1980s price war," he said.



Ashley Ashwood

Howard Klein: 'We are not in a late 1980s price war'

The company announced a 27 per cent rise in pre-tax losses from £21.4m to £27.2m for the six months to April 30, which was higher than City expectations.

However, interim results provide little indication of prospects for the year as a whole because the first half includes only 25 per cent of annual bookings. The annual overhead charge, on the other hand, is spread evenly through the year. In addition, the company does not record profits from a package tour until the holiday-maker actually departs.

The company has sold over 1.8m charter-based holidays so far this year, 17 per cent up on 1991. It has sold 80 per cent of its summer programme and 91 per cent of its July holidays.

Full-year results would depend on the prices it was able to obtain for the remaining 20 per cent of its summer holidays. "Discounting has meant that margins have come under pressure," Mr Klein said.

The company has net cash of more than £100m. It expects to have average annual net cash of about £50m – the first time it has been cash positive throughout a financial year.

Turnover was up 29 per cent at £185m. There was an exceptional item of £1.15m (£610,000) to take account of the introduction of three new aircraft at the Air 2000 subsidiary.

Fully-diluted losses per share were 14.04p (14.66p).

The interim dividend is increased by 8 per cent to 0.9075p.

Painting each other in the worst possible hue

Kalon's bid for Manders has sparked off a battle in the paints industry, reports Peter Pearse

KALON might mean "beautiful" in ancient Greek, but to Mr Roger Akers, chief executive of Manders (Holdings), the paints, inks and property group, it is more likely to mean the opposite.

The recent intrusion of Kalon Group into his life was at best "bloody inconsiderate". He had just started a Caribbean holiday when news of its hostile bid for Manders brought him straight back to the UK to fight for his company's independence.

On the face of it, he and Mr Roy Amos, Manders' chairman, have something of an uphill struggle.

Kalon, the Yorkshire-based paint maker, opened its 8-for-3 £91.5m paper offer with a blistering comparison of Manders' management record versus its own. By many measures from earnings growth to cash generation, the bidder has far outperformed its target.

The man behind Kalon's performance, Mr Mike Hennessy, managing director since 1988, has reaped personal rewards. He was awarded a £745,300 bonus last year for Kalon's steep rise in earnings per share between 1989 and 1991.

The companies have pursued sharply different tacks. While Kalon was stripping itself back to its core paint business, Manders spent £23m (net of disposals) in building up three areas – paints, inks and property. Some £14m went on buying the remaining leaseholds in the Mander Centre, an office and retail development in Wolverhampton, and about £4m refurbishing it.

Paint manufacturing plants, often 30 to 40 years old, have been updated and productivity has "shot up"; distribution and trade depots have been revamped, often moving to edge-of-town sites. Inks have been rationalised from nine factories to three. Acquisitions have made Manders the market leader in liquid inks for food packaging.

Manders' "long and expensive" modernisation is over, Mr Akers says, and the group is now poised to benefit. Kalon argues, though, that the strategy has over-stretched Manders' finances and management.

It points out that Manders' earnings per share last year were lower than in any year since 1987, its borrowings rose to £33.3m from £13.4m in 1987, and pre-tax profits at £6.04m were less than 1988's £6.12m.

Although Manders had been "neglected until 1986" when Mr Akers arrived, "it is more than just a paints company like Kalon", he says. Inks account for more than 40 per cent of turnover, and the Mander Centre is valued in Manders' 1991 accounts at £57.5m.

Mr Akers questions the depth of Kalon. "Imagine it as a navy with one battleship, and us as a navy with three cruisers," he says. "If they lose a ship, they are dead in the water – we can lose a cruiser and still have two left."

Kalon says it would sell the Mander Centre and has no particular plans for the inks division. What it really wants – and perhaps needs, to maintain its progress – is the paints side.

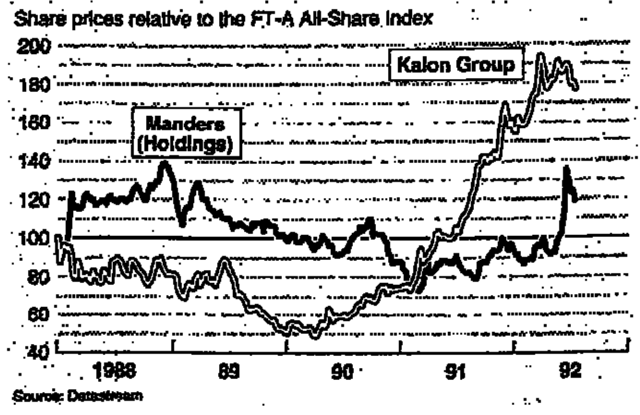
It has emphasised that a combined group would gain from: the integration of four factories into three in paint production; of two factories into one in industrial coatings and of two head offices into one; from rationalised usage and stronger purchasing power in raw materials; from increased market share (the two companies, it says, have complementary strengths in trade and retail paints); and from an enlarged customer base in decorative sundries and wall coverings.

Manders is relying on two defensive strategies. First, it is pushing – with cross-party, though mainly Labour, support – for the bid's referral to the Monopolies and Mergers Commission. So far 62 MPs have signed a Commons motion.

Kalon argues the takeover would only boost its market share from 16 per cent to 23 per cent of the whole decorative paints market, making it fourth behind ICI, Crown Berger and Akzo. But Manders says the merged group would have 75 per cent of the own-label market.

Second, Manders acknowledges its profits have lagged behind the bidder's. But it says Kalon's were inflated by "windfall" profits in 1990 and 1991 which boosted its share price and gave it the springboard to launch the paper bid.

Manders ascribes Kalon's 57 per cent rise to £9.22m in 1991 to several factors: the decision of ICI, the market leader, to raise its paint prices by about 10 per cent, which boosted all paint prices: recession, which encouraged people to trade down to own-label paints; and the fall in the price of raw materials.



Source: Datastream

Manders argues that the "circumstances are unlikely to coincide again". Kalon claims, though, that its ex-factory paint prices increased in the first quarter of 1992 despite the Paintmakers Association figures which show a 5 per cent fall.

The own-label market is one key to the bid battle. Too late to gain from the windfall profits, Manders bought Windeck Paints, second only to Kalon in the sale of own-label paints to DIY chains, for £5.66m last December.

Mr Akers says an "unbacked" Windeck, with about 16 per cent of the own-label market, was "no danger" to Kalon which controls 60 per cent. But under Manders, Windeck is a threat. He claims Kalon did not know Windeck was for sale, that it would only have acquired it to close it, and even suggests that Kalon's failure to buy Windeck led to the current bid.

Mr Hennessy counters that Kalon did not buy Windeck because its paints did not comply with the BS5750 standard. Manders has improved the plant and applied for certification under the standard.

Manders argues, moreover, that Kalon has underestimated the potential loss of business across own-label, trade and retail paints after integration. It cites the fall in combined market share at Crown and Berger after they merged.

While the two sides argue the toss about the outlook for paints, Manders shareholders are left with a straight choice. They can remain loyal to a management which says it can now produce profit growth across all its divisions. Or they can back a management trying to build a paints company that can compete in a rapidly consolidating market.

NEWS DIGEST

Jones Stroud shows rise to £4.83m

PRE-TAX profits of Jones Stroud (Holdings), the manufacturer of accessories and materials for the textiles and electrical industries, advanced by £341,000 to £4.83m in the year to March 31.

The outcome was achieved on turnover up from £60.4m to £65.4m and after a net interest charge of £147,000 (£23,000) and exceptional costs of £609,000 arising from factory closures.

Directors said the reorganisation necessitated by the continuing recession had been completed and further factory closures were not expected.

There were few signs of any improvement in trading conditions, they added, but action to contain costs should enable profits to be maintained at current levels.

The final dividend is again 5p, maintaining the total at 8p, more than twice covered by earnings per share of 18.05p (16.42p).

Christie Group cuts loss to £889,000

Against a background of "the most severe recession for over 60 years" Christie Group, the specialist business agency, reported reduced pre-tax losses of £889,000 for the year to March 31.

The result, which compared with a deficit of £2.61m last time, was achieved on turnover down from £19.4m to £17.3m and was struck after a depreciation charge of £891,000 (£876,000).

Directors said the company's strategy continued to be one of supporting its core businesses, while a close watch had been kept on the balance sheet and cash position.

After an extraordinary charge of £2.62m, representing the loss on disposal of the US subsidiary, the attributable loss was £3.47m (£1.85m).

Losses per share were reduced to 3.64p (7.94p).

West Industries asks for receiver

West Industries, the engineering group, has been forced to ask its principal bankers to appoint an administrative receiver.

This follows the failure to get through the recent meeting the proposals for a corporate voluntary arrangement under the 1986 Insolvency Act, as principal creditors voted against it.

Norbain Electronics advances by 11%

Having completed its restructuring, Norbain Electronics is benefiting from its clear focus on the security sector, said Mr John Nicol, chairman.

That market continued to offer substantial opportunities for growth in the UK and Europe, he added.

Reporting for the year to April 30, the first in which sales had been solely in security, he said turnover from that business rose 5 per cent to £12.8m, while last year's £14.5m included the disposed technology division.

Pre-tax profit was up 11 per cent to £502,000 (£451,000) and in the current year trading was ahead of the comparable period in 1991, said Mr Nicol.

The group had further improved its position as the leading distributor of industrial CCTV and access control equipment in the UK by the recent addition of new products.

Gross profit margin fell following the disposal, but the margin for the security business was maintained.

Earnings per share were 4.95p (4.1p). The dividend is raised from 0.7p to 1p.

Castle Cairn net assets edge ahead

Net asset value of Castle Cairn Investment Trust edged ahead to 43.86p at June 30, against 43.58p six months earlier.

In the first half of 1992 gross income was £5,000 lower at £112,000, while net profits slipped from £62,000 to £55,000, equivalent to earnings of 0.46p (0.52p) per share.

Cardiff Property makes £28,000

Cardiff Property saw gross rental income improve in the half year ended March 31 to produce pre-tax profit of £28,000.

Last time the profit was £187,000 and included £219,000 property sale proceeds.

The majority of the company's investment property portfolio was well let to substantial institutional covenants. Property awaiting re-development or planning had been let on a short to medium term basis.

Two parcels of land, surplus to requirements, had received planning permission for four residential homes and construction had started. Planning permission was awaited in respect of industrial property at Windsor and commercial property at Hatton Cross and Slough.

Earnings per share were 1.04p (losses 0.27p) and the interim dividend is again 0.85p.

Cray Electronics shares suspended

Shares in Cray Electronics, the high technology group, were yesterday suspended at 75p pending the publication of a circular.

The Berkshire-based company is expected to emerge today as the successful bidder for the information technology interests of Dowty Group, now part of TI. When TI acquired Dowty last month it stressed that it was anxious to sell these operations quickly.

Cray is scheduled to publish full year figures today.

Brasway benefiting from cost reductions

Consolidating the recovery shown at the interim stage, Brasway produced pre-tax profits of £1.25m for the 53 weeks to May 2.

That compared to £513,000 reported last time, although that has been restated to a loss of £892,000 after moving reorganisation costs to trading, rather than extraordinary, charges.

Mr Mark Swaby, chairman, said the encouraging performance reflected concentration on cost reduction programmes, efficiency improvements and gains in market share during a period of weak demand.

Turnover decreased by only 1 per cent to £33.9m. That generated an operating profit of £1.81m against £1.21m, or a restated loss of £194,000.

Mr Swaby believed there was growth potential in existing businesses and instead of looking for new operational legs to enhance profitability they would be developed.

Earnings per share were 1.15p (losses 0.73p restated). The final dividend is 0.34p for a total of 0.58p (0.51p).

Marginal assets gain for Witan

Witan Investment Company announced a marginal rise – from 178.5p to 181.3p – in net asset value per share at June 30.

Net asset value per warrant rose from 102p to 104.8p.

Available revenue for the six months amounted to £8.71m (£8.25m) for earnings of 2.53p (2.4p) per share.

The interim dividend goes up from 2.5p to 2.7p.

7% annual rise puts Druck at £4.69m

Druck Holdings, the manufacturer of electronic pressure measuring devices, showed a 7 per cent increase in annual profits, although it suffered a slowdown in the second half.

For the year to March 31 pre-tax profit came to £4.69m. Last time the trading period covered nine months and produced £3.03m; the annualised figure was £4.39m.

On a similar basis turnover was £27.3m, £17.1m and £22.4m. Earnings worked through at 46.5p, 29.6p and 42.5p, while the final dividend is 6p for a total of 9.4p, compared with 6.6p actual and 8.8p annual.

Invoiced sales in the UK rose by 39 per cent and exports, accounting for 68 per cent of turnover, showed a 15 per cent increase.

After a good first half orders in the second six months slowed down, and the forward order book showed a slight decrease.

The US, Scandinavia, and Germany made good progress, although the recession marginally affected orders from France, Italy and the Netherlands.

Significant increases were achieved in China, the Gulf states, Singapore, Australia and Taiwan.

Moorgate lifts net asset value 14%

Moorgate Investment Trust, which concentrates its portfolio on UK smaller companies, reported a net asset value of 128.1p as at May 31 – a rise of 14 per cent over the year.

Net revenue for the 12 months to end-May dipped to £1.5m (£1.56m), equal to earnings of 5.37p (5.59p) per share.

A recommended final dividend of 3.8p maintains the total of 5.5p.

Dalepak expands as spending grows

Dalepak, a manufacturer of frozen and chilled foods, reported significant increases in pre-tax profits, earnings and dividend for the year to April 25.

At the same time it doubled capital expenditure to £3.5m and reduced gearing from 38 to 23 per cent.

Profit moved up 30 per cent to £3.93m (£3.02m) after sharply reduced interest costs. Overall turnover stayed at £40.6m but after stripping out discontinued businesses there was growth of 8 per cent.

Sales of vegetable products were up 14 per cent to £17.4m, Ready Meals 21 per cent to £2.8m and Fawcett Foods 15 per cent to £3.5m. In meat products sales were the same as last year at £15.8m.

Earnings per share expanded 31 per cent to 23.01p (17.62p) after a tax charge of 32.9 per cent (34.5 per cent). The final dividend is 4.5p and lifts the total by 20 per cent to 6p (5p).

NOTICE OF REDEMPTION

MORTGAGE INTERMEDIARY NOTE ISSUER (No. 1) AMSTERDAM B.V.

£50,000,000 Mortgage Backed Floating Rate Notes 2010

NOTICE IS HEREBY GIVEN by Bank of America National Trust and Savings Association as Principal Paying Agent to the holders of the above Notes that, pursuant to the Trust Deed dated 5th February, 1985 under which the said Notes were constituted, outstanding Notes in aggregate principal amount of £950,000 have been selected for redemption on 18th August, 1992 at their principal amount of £25,000 bearing the following serial numbers:

187	1084	1205	1391	1636
222	1100	1224	1402	1660
390	1114	1243	1422	1691
415	1123	1261	1442	1703
890	1149	1271	1448	1715
930	1162	1299	1472	1739
947	1170	1360	1480	
1067	1187	1375	1624	

Notes bearing these serial numbers should be surrendered to (i) Bank of America National Trust and Savings Association, 1 Alie Street, London E1 8DE or at the option of the holder (ii) to the offices of Bank of America National Trust and Savings Association in Antwerp, Zurich or Banque International À Luxembourg as specified thereon.

After 18th August 1992 any unmatured Coupons relating to such Notes (whether or not attached thereto) shall become void and no payment shall be made in respect of and no talon shall be exchanged for such Coupons. Notes outstanding after 18th August 1992 will aggregate to £7,150,000.

Dated: 17th July 1992

Bank of America

Bank of America NT&SA

The National Home Loans Corporation plc

At a meeting held on 6th July 1992 of the holders of the US$100,000,000 8 3/4 per cent. Notes due 1992 of The National Home Loans Corporation plc the resolution, extending the maturity date of the Notes from 7th July 1992 to 21st August 1992, set out in the notice of the meeting which was published in the Financial Times on 12th June 1992 was duly passed as an Extraordinary Resolution in accordance with the provisions of the Trust Deed dated 7th July 1987 made between The National Home Loans Corporation plc (1) and the Law Debenture Trust Corporation p.l.c. (2) and constituting the above Notes.

The National Home Loans Corporation plc.

This notice is important and requires the immediate attention of holders of 6¼ per cent. Subordinated Convertible Bonds due 2002. If holders are in any doubt as to the action they should take, they should consult an independent financial adviser authorised under the Financial Services Act 1986 without delay. S.G. Warburg & Co. Ltd. is acting for Grand Metropolitan PLC in relation to the redemption of the Bonds (as such term is defined in this notice) and is not advising any other person or treating any other person as its customer in relation to such redemption.

Grand Metropolitan PLC

(the "Company")

£100,000,000 nominal $6^1/_4$ per cent.
Subordinated Convertible Bonds due 2002
(the "Bonds")

NOTICE OF REDEMPTION

Notice is hereby given to the holders of the outstanding Bonds in accordance with Condition 5 (b) that the outstanding Bonds will be redeemed on 15 September 1992.

The Bonds will be redeemed at 101 per cent. of their principal amount together with accrued interest for the year to 15 September 1992. Consequently on 15 September 1992 an amount of £5,362.50 will become due and payable in respect of each outstanding Bond at the office of any of the Paying and Conversion Agents listed below.

Bonds should be presented for redemption together with all unmatured coupons, failing which the face value of the missing unmatured coupons will be deducted from the sum due for payment. Each amount so deducted will be paid against surrender of the relative missing coupon at any time prior to the expiry of twelve years from 15 September 1992.

Bondholders are reminded that they remain entitled to convert their Bonds into Ordinary shares of 25p at the Conversion Price of 329p per Ordinary share at any time up to and including 7 September 1992. Bondholders should note that to qualify for the interim dividend in respect of the year ending 30 September 1992 of 4.6p (net) per share payable on 5 October 1992, the Conversion Date for any Bond must be on or before the relevant dividend record date which will be 7 August 1992. Notices of conversion and accompanying Bonds should be delivered to the office of any of the Paying and Conversion Agents listed below on the business day before the intended Conversion Date.

Bondholders should note that on conversion of a Bond, no interest will be payable in respect of the period from 15 September 1991.

IMPORTANT – *for illustration only*

Value of the Ordinary Shares* into which each Bond (of £5,000 nominal) is convertible £7,127.66

Redemption amount (including accrued interest) per Bond £5,362.50

**Based on the middle market quotation for the Ordinary shares as derived from the Stock Exchange Daily Official List for 14 July 1992 and the Conversion Price of 329p. This figure excludes the cash value of the interim dividend of 4.6p (net) per share payable on 5 October 1992 referred to above.*

Principal Paying and Conversion Agent

Bankers Trust Company
1 Appold Street
Broadgate
London EC2A 2HE

Paying and Conversion Agents

Swiss Bank Corporation
1 Aeschenvorstadt
CH-4002 Basle
Switzerland

Banque Indosuez
Luxembourg
39 Allée Scheffer
L-2520 Luxembourg

Issued by S.G. Warburg & Co. Ltd., a member of SFA, on behalf of Grand Metropolitan PLC.

17 July 1992

A SPECIAL REPORT

PROPERTY MANAGEMENT

Real estate seldom attracts company attention as powerfully as human resources or capital investment. But recession has provided an incentive for landlords, owner-occupiers, and tenants to manage property more efficiently. **Vanessa Houlder** investigates

Landlords must manage to survive

PROPERTY management, traditionally one of the least glamorous corners of the property business, is gradually coming into its own.

It owes its increased status to reasons ranging from greater promotion by the surveying industry, technological change, environmental standards, and the increased complexity of building maintenance.

Its new-found prominence has been achieved against a backdrop of recession, which provides an important incentive for landlords, tenants and owner-occupiers to improve the efficiency of their property management.

Landlords know they need to improve their management, to protect their rental income and retain tenants. "Landlords are more than ever before using every legal means open to them to ensure that rents are paid on time," says Clive Lewis, a firm of chartered surveyors.

Looking further ahead, landlords are concerned that oversupply in some markets will give tenants the upper hand. That could well lead to shorter leases with break options, as in the US: with the result that landlords will have to work much harder to retain their tenants.

"Poorly managed, expensive buildings will be blighted, and property managers will have to become much more pro-active, mirroring their American counterparts," says Mr Tony Rinnick of Chesterton.

With falling rents, service charges are becoming a higher percentage of total property overheads. Landlords are coming under pressure to contain service charges, which are as high as £6-£7 per sq ft in smaller shopping centres.

There is even greater scope for tighter property management among owner-occupiers, who have an incentive to cut costs and extract value from their property holdings at a time of slow growth.

At present, most UK companies give far less attention to property management than the value of their assets might suggest. Property assets, according to Central Statistical Office figures for 1989, account for about half of all fixed assets held by industrial and commercial companies.

"Real estate is a factor of production, like labour and capital, and yet is rarely accorded the same power and influence as human resources or capital investment . . . The head of property can often be six layers or more down from the chief executive," said Stanhope, commenting on a report on corporate decisions commissioned from Hillier Parker, chartered surveyors.

"Only on rare occasions does property receive explicit treatment in corporate business plans. More often than not, property is viewed as incidental, as an asset which requires little management, generates cost but has little or no value," says Debenham Tewson & Chinnock, in a study of 100 of the UK largest companies published last month.

It found that only 60 per cent of the largest UK companies have an estates management department. Property is nearly as likely to be handled by a personnel director as it is by a property director.

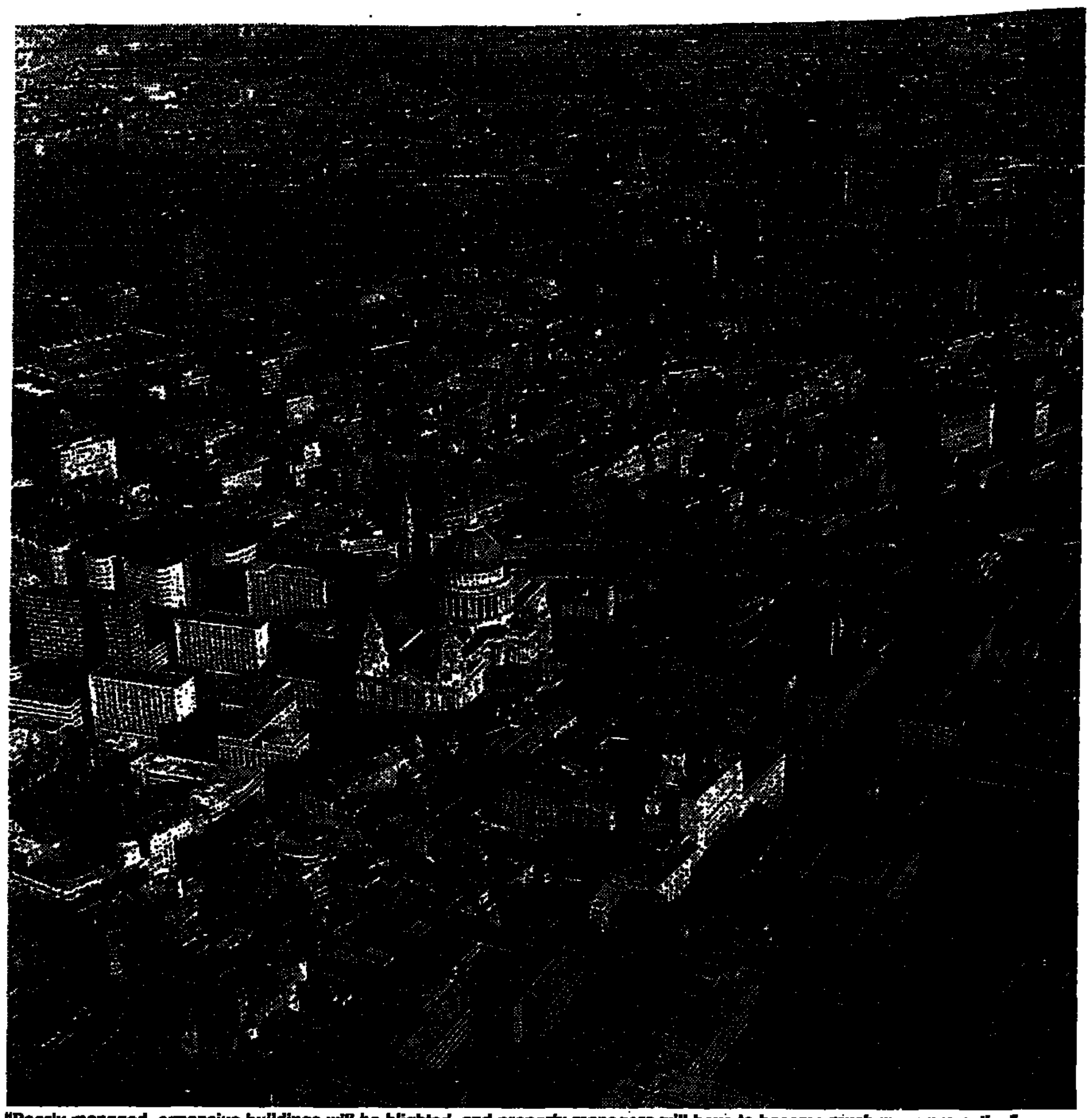
This inattention is potentially damaging, in the view of Ms Virginia Gibson, of the department of land management and development at the University of Reading. "Managers would not consider planning without understanding the implications for personnel and finance, yet property is often ignored or brought into the planning process at a very late stage. This leads to misuse of the resource and, occasionally, costly mistakes."

Most UK companies give less attention than the value of their property assets might suggest

Companies' inefficient use of space is reflected in the 5 per cent of commercial floorspace they rent but do not use – which is equivalent to the entire office stock in a city such as Bristol. Only a third of the largest UK companies charge internal rents, and only 20 per cent have a corporate policy on space standards, said Debenham Tewson.

Only one in five of the largest non-property companies have a comprehensive management information system, containing information on the cost and value associated with each building.

Even among those companies with a comprehensive information system, only 40 per cent monitor potential alternative uses or planning considerations affecting each property.



"Poorly managed, expensive buildings will be blighted, and property managers will have to become much more pro-active"

The problems encountered in dealing with property in the private sector are mirrored and often magnified in the public sector.

The pressure to improve property management in the public sector has been accentuated by civil service relocations, contracting-out of services, and the relaxation of ties between government departments and the Property Services Agency, which has been split up and, partially, put up for sale.

The possibilities of exploiting opportunities for capital gains have been eagerly explored by the public sector. British Rail has sold many valuable sites, often by railway stations for redevelopment; the National Health Service has successfully disposed of several of its large Victorian institutions.

But recession has checked much of this activity. The difficulty of disposing of land is making it difficult for the NHS to address inefficiency in the use of hospital estates, highlighted by the introduction of some of the government's reforms.

In both the private and public sectors, organisations are increasingly contracting-out their property management. Facilities management – otherwise known as contracted business services, or outsourcing, – is a fast growing sector of the economy as companies try to improve efficiency and cut costs without compromising on quality.

The chief benefit of contracting-out property management is that it relieves companies of the burden of recruiting staff in a discipline in which it has no expertise, allowing it to concentrate on its core business.

It can save money, because extra services need only be used when necessary, relieving companies of the need to employ additional staff and equipment to deal with peaks in demand. For the facility management company there may also be economies of scale.

For example, Westminster council claims that contracting out its commercial property portfolio to private firms – to handle items such as sales, lease renewals, rent reviews and strategic advice – will result in savings of nearly 33 per cent, or £700,000, over five years.

A benefit of contracting out is that a company can concentrate on its core business

Property managers can do more than cut costs. In many instances, aggressive property management can extract hidden values from a portfolio through identifying and disposing of surplus property; exploiting "marriage values" by combining the leasehold and freehold values of a site, and arranging sale-and-lease-back deals.

None of these measures are straightforward at a time when the property market is mired in recession. Even the most straightforward measures, such as sub-letting surplus space, are difficult to achieve in areas where there is a glut of space on the market and limited demand.

None the less, if property managers can deliver on even a fraction of their potential, they could change the perception of their industry for good.

Anne Steadman looks at facilities and services on offer

Keep the customer happy

Not too long ago, in the days before the term personnel manager became director of human resources, it used to be the responsibility of the office manager to ensure that a firm's premises were clean and functional; that the lifts worked and the lavatories were supplied; and that any legal matters relating to terms of occupation were drawn to the attention of the board.

Not any more.

The growth of information technology, together with the recession, has led to companies becoming conscious of the need to monitor costs, as well as making the best use of expensive floorspace.

Furthermore, in a highly competitive market landlords are also highly aware of the need to keep existing tenants happy, and to attract new ones with well-managed, attractive and value-for-money working environments.

The result is that property management and facilities management are now among the few growth areas in a beleaguered property market.

Claims for the benefits of the services offered by the various consultants and contractors in the property management field are becoming increasingly extravagant. A whole new vocabulary of buzz words has developed. The hapless and, understandably, often bewildered successor to the old-fashioned office manager is now bombarded with offers of health checks, smart or intelligent buildings, environmental energy audits, thermographic surveys – and so on.

Leaving aside this barrage of hype, there is a growing sophistication in the modern methods of managing property, from both the strategic and the occupational points of view. Moreover, there is no shortage of expertise available to a building owner or occupier, in asset management and in cost effective, comfortable and efficient occupation.

Traditional property management techniques have been updated constantly in recent years with the aid of computers. And most firms offering property management as a service now have impressive databases. Martin Clews of Weatherall Green & Smith explains that the firm's computer database includes comprehensive details of all individual properties.

Besides basic physical information – which will include site plans and floor plans drawn by computer aided design, and will soon include actual photographs – all leases, covenants and other obligations under leases are recorded, along with schedules of critical dates for such items as lease renewals, service of relevant legal notices and other statutory matters.

Other entries will monitor planning consents and their implications; set rolling refurbishment and/or maintenance programmes and log environmental issues, insurance records and valuations for various purposes; for example, a company's balance sheet, rating and insurance. There may also be schedules for internal repairs and inspection and maintenance of plant and machinery such as lifts, water towers, and so on.

All are part of the overall strategic management of an individual building or a portfolio. They come up for consideration when wider issues arise – such as whether a property should be sold, sublet, refurbished or redeveloped for a different use. Further strategic questions could relate to the acquisition of adjacent land, the obtaining of more valuable consents, or entering into joint ventures.

The manager will also be responsible for the financial tasks of collecting rents and other dues, the apportionment of service charges, full accounting for income and outgoings.

Alongside this strategic management, and in many cases overlapping it, is day-to-day functioning of buildings. This is where the new discipline of facilities management comes in.

The facilities manager is responsible for a range of services: cleaning, maintenance, security, heating and air-conditioning, telecommunications, computer networking, electrical and other energy supplies and, sometimes, landscaping and space planning. These may be handled in-house by an on-site manager.

But there is a growing trend to sub-contract some or the entire package to outside firms. Besides companies such as BET and P&O, competitors in this relatively new field of specialisation, most of which claim to offer a one-stop shop service, include some with connections with the larger computer companies.

One of them, Procord, is the result of a management buy-out of a significant part of IBM's UK property management function. The staff, led by managing director John Jack, IBM's former UK property manager, has a 51 per cent stake in the company; IBM retains 49 per cent.

Mr Jack says that, coming as it does from a computer-culture environment, the firm understands the comprehensive changes in the way companies organise their work; and the consequent use of space. He points out that, in today's organisational "churn," it is invariably cheaper and more effective to relocate people in computer-networked offices than to move work stations.

One possible solution for building owners confused by the claims and counter-claims of property management surveyors and the new facilities management specialists is to use both in a partnership which brings together the two sides of the strategic and day-to-day management equation. For example, IBM appointed Weatherall Green & Smith and Procord to work together in the letting, asset management and on-site management of 103 Wigmore Street, a 106,000 sq ft office building in London's West End which became surplus to IBM's requirements. Both say this has worked well.

Another consequence of the competitive, oversupplied office market in the City is that property management surveyors and facilities managers are finding new aspects of their roles; they now also have a part to play in the ongoing marketing effort.

David Smith of surveyor Richard Ellis cites Royal London's 220,000 sq ft Triton Court in the City, where several measures have been taken to attract new tenants and to retain existing tenants.

In this market, says Mr Smith, the landlord/tenant relationship needs to be seen as that of supplier and customer. The building management team must monitor customer feedback – and be the first to know if there are any rumbles of complaint.

Tenants at Triton Court can now take advantage of – among other things – their own gym, a restaurant, a shoeshine service. They even have a "tenant's charter." The aim is to keep customers satisfied.

PROPERTY MANAGEMENT

A SPECIAL REPORT

Some of the UK's largest property portfolios are in the hands of commercial and industrial companies.

For instance, according to a recent report from surveyor Debenham Tewson & Chinnocks, the UK corporate sector owns as much as £225bn worth of property. This compares with the £60bn total for the traditional property investors – the institutions.

But despite the fact that, in some business sectors, property accounts for more than 50 per cent of all tangible assets in the balance sheets, in all too many cases it is still seen as an incidental, generating costs but with little value, rather than as an asset – which

> Clearing banks and several high street multiple retailers are seeking to maximise the value of property assets

requires active management.

Attitudes are, however, changing, partly because of sheer necessity to control costs in a continuing recession, and partly because of the evolution of management techniques. In addition, some larger organisations are adopting pro-active management approaches aimed not only at controlling costs, but also at releasing not inconsiderable value, to produce a much-needed boost to the bottom line of the corporate balance sheet.

Of the big clearing banks, Barclays reckons it is ahead of the field in this respect. In January 1991 it set up a new company, Barclays Property Holdings (BPH) to run its £1bn plus property portfolio.

The rationale was that the bank's very valuable portfolio should not only generate a return, but also that property should be a source of potential profit instead of a cost centre, says Mr David Turner, BPH managing director.

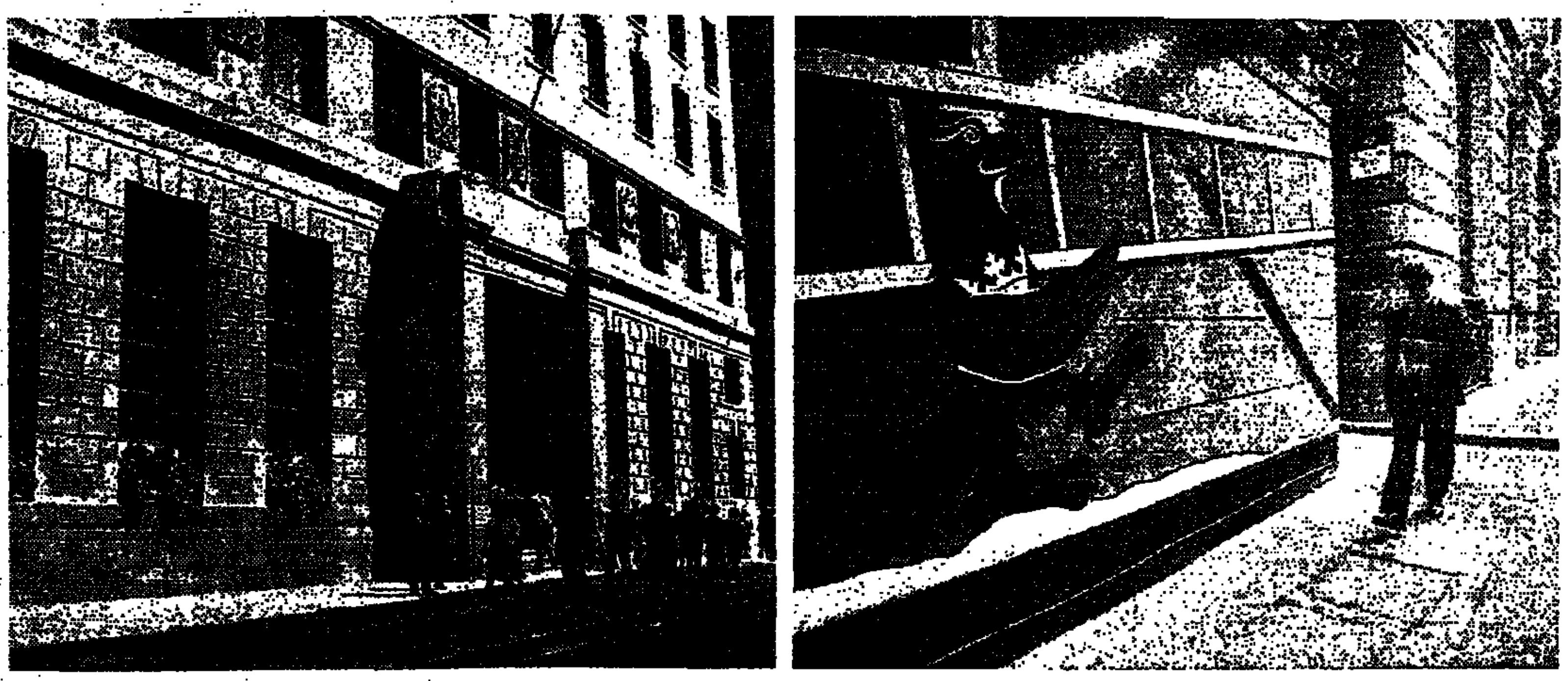
BPH controls some 3,000 individual properties: a branch network of some 2,400, together with a core investment portfolio containing some 400 properties.

The company acts as landlord to the branches and other bank operations. There are no formal leases; instead, BPH tenants are governed by documents governing terms and conditions of occupancy. But in practice, says Mr Turner, the relationship is very similar to that of any other tenant with its landlord. Rents, fixed at market levels, are reviewed every five years.

In addition to rent, BPH also generates income through fees – again charged at market rates – for services such as alteration to and fitting or refitting of branches.

BPH will also take a developer's profit when appropriate. For example, it developed 150,000 sq ft of offices in three buildings at Westwood Business Park just outside Coventry, when an operational decision was taken to re-locate 1,000 Barclays jobs.

BPH's flagship development is the 300,000 sq ft redevelopment at 54 Lombard Street in the City of London. Here, too, Mr Turner says that BPH is building as a developer, not as an owner occupier. The building is on time and on budget for completion to shell and core by late April next year. The decision to go for this type of finish was taken, says Mr Turner, on property investment rather than occupational criteria. The bank will occupy three quarters of the building; the remainder will be let to outside tenants.



Barclays Bank at 54 Lombard Street, before and during redevelopment by Barclays Property Holdings into part-bank, part premises to let.

Corporate portfolios

New sources of profit

Careful analysis of the portfolio has also led to strategic sales, amounting to some £40m of this so far.

In days when covenant strength is a prerequisite for property investors, BPH is in an enviable position to do sale and leaseback transactions where the bank is the sitting tenant – although the individual property does not fit the company's long term investment strategy.

> In-house agreements place landlords and tenants in relationships similar to their open market counterparts

BPH made £24m pre-tax profit last year from a combination of rental income and consultancy income. Consultancy, Mr Turner reckons, should contribute a growing proportion of profits as the company offers its range of expertise and services to outsiders in competition with firms of surveyors, architects and other professionals at, of course, market rates.

Total staff numbers are 188 – only 12 on the investment side, the rest in development and consultancy. There are also some 500 staff engaged in day to day facilities management for which Mr Turner is also responsible. (This activity, however, is subject to an on-going review, with an increasing number of services likely to be sourced externally at a lower cost.)

Not only the clearing banks, but also several of the high street multiple retailers are sitting on large, valuable, property portfolios. Some of these are now looking to maximise the value of their assets, and none more so than Boots, which formed Boots Properties in 1989 in order to increase the return on a portfolio which represents something in the order of 60 per cent of the group's net assets.

The company, now a separate division within the group, organised so as to reflect the strategic individual functions of operational estate management and property asset management, holds the freeholds or long leaseholds of some 900 properties; last revalued (in 1989) at £889m. This compares with a total of 2,350 properties actually occupied by the group in the UK.

> Property is too often seen as a balance sheet incidental rather than an asset which requires active management

As with Barclays, Boots Properties' in-house occupiers are not subject to formal leases. Nevertheless, the occupancy agreements arranged in-house place landlords and tenants in a relationship broadly similar to that of their open market counterparts.

The agreements provide for reviews of the modern rent charge of one fifth of the portfolio every year. Reviews are to reflect market rents and may be upwards or downwards. A nine month notice provision offers the retail occupier flexibility should he or she wish to cease trading from the property.

Under Mr Mike Rudell, Boots Properties managing director (and a Boots PLC main board director), the company concentrates on three areas of operation: investment, development and finance/systems.

Mr Peter Baguley, who leads the investment team, says that great emphasis is placed on research, using discounted cash flow techniques and a rental forecasting model developed jointly with Jones Lang Wootton, surveyors.

In addition to such detailed, location-specific research, Mr Baguley also believes that Boots Properties has a distinct advantage over other property investors when making decisions to buy or sell, because it also has access to retailer performance data. As he points out, retailer profitability drives rental growth – a key component of property investment performance.

Boots Properties sticks to what it knows best. Investments are restricted to the retail sector which, Mr Baguley says, is generally underpinned. Over the last three years the company has been a net investor, committing some £40m annually. Some of the money has gone towards consolidating existing ownerships in towns such as Canterbury, Winchester and Lincoln.

But new investments have been made in multi-occupied properties such as the Magnolia Centre in Exmouth and retail parks in Burnley and Bromborough in the Wirral.

In its development activities Boots Properties, with financial backing from the group, clearly has more than a competitive edge in the current market. Here again local market research is an essential ingredient, according to Mr Tony Edwards, development director.

Recent completions include a 129,000 sq ft fully-let retail park at Castle Meadow, Nottingham. And in Glasgow the former Boots the Chemist store at the corner of Argyll and Union Streets has been redeveloped to provide new stores for Dillons, Kentucky Fried Chicken and a small Boots branch among others.

Last year the company was selected as developer for Caerphilly town centre where a total of 135,000 sq ft of floorspace is planned – to include a big supermarket, some 30 smaller shops and parking for 600 cars.

Last month Boots Properties announced trading profits of £69.5m for the year to March; a 15.5 per cent increase on the previous year. And it looks well placed to be in an enviable position when the property market finally improves.

Anne Steadman

Christine Moir reviews big changes in the public sector

DoE calls for firm bids as the PSA goes private

THE UK Government's privatisation of the Property Services Agency is reaching full steam. It is part of its wider goal of reducing the civil service to a few thousand mandarins and subcontracting most executive functions to the private sector.

By the time this report reaches the news stands, the Department of Environment and its adviser, accountants Coopers & Lybrand Deloittes, will have shortlisted a handful of companies invited to place firm bids for PSA Projects, the PSA's building design arm.

Interest in bidding for Projects (which had a turnover of £190m last year) was strong. Over 150 organisations, including a number of foreign companies, explored the possibility; 90 or so requested application forms ahead of the June 26 deadline for submitting indicative bids. Andrew Jordan of Coopers confidently expects to be able to exchange contracts with a buyer by October this year.

In the short term, Project's turnover may be squeezed by the cutback in government spending, and in particular by the diminished needs of the Ministry of Defence, but this belies the group's excellent long-term prospects.

At present, less than 1 per cent of Project's architectural design, and Project management work, is for clients other than UK government departments. But in preparation for the competitiveness of the private sector, senior management is already capitalising on its niche specialities. Already, for instance, its expertise in building courtrooms throughout Britain has led to contracts to design one for the Dutch government, in Utrecht; and another for the Seychelles.

Robin Gray, Project's director of marketing, reports that staff morale is high because of recent successes in winning design contracts against private sector competition for such prestigious schemes as the new VAT headquarters in Liverpool's Queen's Dock, and the Princess of Wales's conservatory in Kew Gardens.

> There have been significant upheavals, but a real taste for competition is developing among managers in the three new companies formed to run UK government property holdings.

Private sector competition is a daily fact of life for Building Management (BM), the main property management arm of the PSA, also on its way to privatisation next spring.

Since 1985, following an analysis by property consultants Jones Lang Wootton, government departments have been free to select private contractors to carry out the regular maintenance and management of their buildings. A number have done so on a case by case, area by area, basis.

At the end of 1991 the process of commercialisation was taken a stage further. Building Management was divided into five separate regions and placed under the temporary management of Bovis, which has a brief to lick each one into commercial shape before they are sold on, individually, to five new owners.

The upheaval has been significant, but BM has developed a real taste for competition. Nor East, which covers the whole eastern side of the country from the Scottish Borders down to the M25, is raring to compete for the new opportunities in its region as the government relocates up to 30,000 civil servants to the provinces.

The Inland Revenue plans to move to Nottingham; the new Prison Services headquarters for 2,000 will be in Derby; the Land Registry moves to Hull; and the Ministry of Agriculture, Fisheries and Food is planning a £60m 15-building complex outside York.

Nor East's ambitions do not stop at winning these contracts against private sector competition. Mr Gil Sowden, its marketing director, also declares that it will be "open season" against its old stablemate, PSA Projects, on the design front.

Mr Sowden and his counterparts in the other BMs – such as Mr Mike Harrison, managing director for Manchester, which covers the whole North West, and Mr Jim Livingstone in Scotland – have their eyes on another goal also. They believe they are now well-placed to win back the contracts lost to private sector surveying firms during the experiments of the late 1980s.

Not only are they leaner and fitter – Nor East's staff is now down to 1,500 from 2,000 – but clients have wakened up to their greater expertise in managing public buildings. "We think our competitors did not fully understand the demands that would be made of them by government departments," says Mr Sowden.

They do now. Hillier Parker, the underbidder for three early areas which went to private firms, believes the successful firms may now regret the keen pricing of their original bids.

Not all the advantages lie with a private sector future, however. Some of the BM operations have already found that they will lose a certain privileged status from next year. The Ministry of Defence, for instance, may be prepared for its property management to go private – but not the US defence bases in the UK. They have insisted on civil servants to manage their buildings. In fact, 600 of the 1,000 jobs saved in BM Noreast have merely been transferred to the MoD's Defence Works Service in Sutton Coldfield, mainly to service US forces in Britain.

The inexorable shrinking of Britain's overseas interests has meant even further upheavals in the 200-year-old service supplied by the PSA. Its international arm – once the overseer of colonial mansions from the Cape to Rajahstan by way of the Antipodes – is to close. This may be partly balanced, however, by the fact that Projects has opened its own international operation – mainly for Hong Kong, where it has two dockyard contracts and hopes to be involved in the new airport.

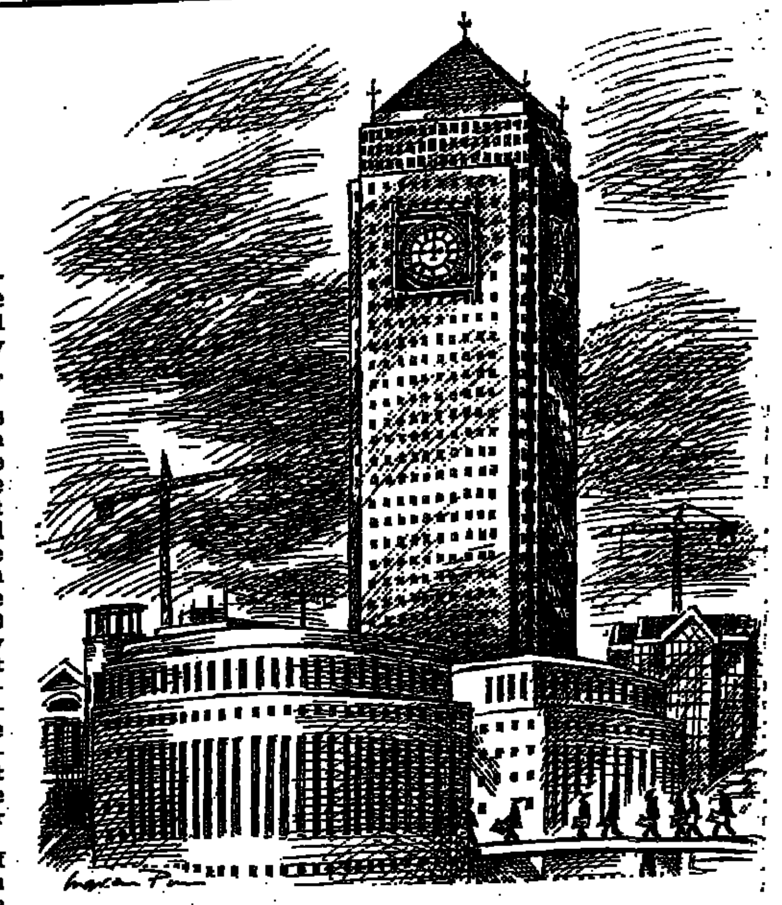
The only part of the PSA to remain intact as a section of the Department of the Environment is the newly renamed Property Holdings (PH): in effect, the landlord for all government departments. Given the new freedom of each department to choose its own architects, designers, surveyors and managers, however, PH's role may be little more than passive.

In the next round of government restructuring, many of its staff fear not the bracing winds of competition but the fatal chill of redundancy.

THE PROPERTY MARKET

David Owen recently found the following letter in a Whitehall litter-bin, written on notepaper from Ernst & Young, the accountancy firm, which offers this advice to the prime minister

Go east, honourable members



Sir, Might we respectfully propose an answer to the problem of Canary Wharf's future that we think would produce a felicitous outcome for you, us and Britain as a whole.

We believe the government should buy this luxurious and strategically located development, uproot parliament and transfer the heart of Britain's democratic process from Westminster to Docklands.

It is a radical proposal, we think you will agree, but one made in the spirit of the government's own suggestion of relocating a large contingent of civil servants to east London.

Allow us to enumerate the arguments we feel sure will overcome your understandable reluctance to desert the pomp and circumstance of Westminster. (You should be assured that technical wrinkles such as the need to provide adequately proportioned debating chambers would not pose a problem to the site developers.)

● First, cost. Not to put too fine a point on it, this unique and world-renowned complex would be available at an absolute snip. Administrators are a prime source of bargains for those with liquid resources, as your advisers will confirm. Why not act now to take advantage of what we can safely say would be a never-to-be-repeated offer?

Of course, the Treasury would not be the Treasury if it did not hesitate to sanction the unbudgeted expenditure. But we are sure they can be convinced of the long term advantages of what we propose – particularly if it is intimated the development could be sold and leased back at a fat profit when the property market improves. Equally, the government should have little difficulty demonstrating it had fulfilled its undertaking to secure value for money for British taxpayers.

The financial argument is particularly persuasive if you take into account certain spin-off benefits. Consider, for example, how many lobbyists and other assorted hangers-on would wish post-haste to follow the government to Docklands. There would be ample surplus space to rent to these captive clients at highly advantageous rates. Our specialists would be delighted to advise on how to exploit this opening most effectively.

Westminster could be reconfigured as an admission-charging museum, complete with leisure facilities

Meanwhile, the Palace of Westminster could be reconfigured forthwith as an admission-charging museum, complete with refreshment and leisure facilities. In truth, it is much better suited to this role than to its present function and the burger franchise alone would be worth a small fortune. A strongly-branded selection of quality products, ranging from Speaker's Choice malt whisky to House of Commons fudge, is already available on the premises, as you will be aware. Think of the revenue-generating potential of marketing these to a wider audience! It is a moot point whether the upper chamber should remain *in situ* to entertain visitors.

With time and a little work, one section of the building – perhaps the press facilities – could be converted into a luxury hotel. Once the complex was ticking over satisfactorily, it would be a clear candidate for privatisation.

● This brings us to our second point: the move to Docklands would be extremely popular with MPs. At a stroke, all hard-working parliamentarians would be whisked from the cramped mock-gothic squalor in which most now toil to comfortable, state-of-the-art new offices.

We need hardly remind you of the recent parliamentary early day motion (copy enclosed) recognising "the severe restrictions the 19th century Palace of Westminster places on the provision of modern, efficient facilities for members of parliament". This had been signed by more than 140 MPs at our last count – a sizeable protest vote by any standard.

It is true the motion urges the leader of the House to "lease additional accommodation *in Westminster*" (our italics). But we are confident this is because it did not occur to most honourable members that a move further afield was possible.

● A third consideration is that we can think of few surer ways to ensure Docklands flourishes – a happy state of affairs that could hardly fail to reflect favourably on the government.

In terms of prestige, Canary Wharf can scarcely be beaten. It is, after all, Europe's biggest building

You will understand what we mean by suggesting that MPs will not be content to labour long in a new location without satisfactory local amenities. Their presence will certainly ensure that more high-class restaurateurs and trades people consider opening up in the area.

In fact, what would probably happen is that sufficient advisers, observers and consultants would follow on the politicians' coat-tails to create a veritable parliamentary village in Docklands. Add a few civil servant refugees from Marsham Street and you would have the nucleus of the sort of self-contained administrative centre favoured by thrusting young nations like Brazil, Australia and Nigeria.

Of course, with all these groups heading east, it would be much easier to justify picking up the entire bill for the Jubilee Line extension, as the government might well be obliged to do if it accepted our proposals. In any case, the £400m private-sector contribution originally promised would have been spread over more than 20 years and is therefore considerably less substantial than it might at first appear. It is also worth observing that a large contingent of journalists would be dependent on the extension to facilitate their commuting. Dare we suggest that favourable coverage of the change of tack might be easier to engineer under such circumstances?

● Finally, there is the question of prestige. It is clearly vital that an institution as valued and venerable as the British parliament should move to a suitably eminent location if it is to move at all.

In this respect, Canary Wharf can scarcely be beaten: what could have more cachet, after all, than permanent stewardship of Europe's largest development? If we may permit ourselves a self-serving observation, the move also has much to recommend it on aesthetic grounds. Next to the strong, simple contours of the Canary Wharf tower, Big Ben appears spindly, ill-proportioned and distinctly over-ornate.

Of course, many MPs will nevertheless have formed a sentimental attachment to the famous clock tower. Might we suggest therefore that a strategically-positioned replica could speed their settling-in process and symbolise continuity? We are advised that a fully functioning bell-chime could be installed in such a replica at reasonable cost. Whether this would have quite the resonance of its Westminster prototype, however, could not be guaranteed.

Yours etc,

INTERNATIONAL PROPERTY

The Guide to U.K. Property

The Financial Times proposes to publish this Guide on 9th October 1992. For editorial synopsis and advertising details, please contact:

Peter Shield on: 071 873 3284

Or write to him at:
Financial Times,
One Southwark Bridge,
London, SE1 9HL

JOBS: Reported upturns in demand for managers and specialists have evidently been false dawns

Blackest year yet on executive market

SAY not the struggle nought availeth, advised the poet Arthur Hugh Clough, before adding by way of explanation:

...not by eastern windows only,
When daylight comes,
comes in the light,
In front, the sun climbs slow,
how slowly,
But westward, look,
the land is bright.

One thing seems sure. Whatever he may have been referring to, it was not the United Kingdom market for managers and higher-ranked specialist staff.

Over the past few days the Jobs column has scanned same not only from eastward and westward, but also from northward and southward and all points between. Nary a chink of daylight is to be seen.

That's not to say there has been any lack of false dawns. Indeed, I myself was guilty of heralding one of them a whole year ago in the part of the market which consists of advertisements of executive-type jobs in UK national journals. Well within the next 12 months, I forecast at the time, the advertised demand would be turning up again.

What it has actually done can be seen from the table alongside which, as usual, is compiled from the quarterly counts made by the MSL international consultancy. The upper part of the table focuses on the 12-monthly period ended on June 30, going back to 1986-87, showing the number of job-openings advertised in eight broad types of executive work. Each opening is counted as one, no matter how many times the advertisement for it appears.

The bottom part of the table, below the 12-month totals, shows the all-types tallies for each of the quarterly periods. As the demand is to some extent seasonal – being usually highest in January-March then falling off with each successive quarter – the most useful basis for comparison is the corresponding three months of the year before.

By that yardstick, it is now 3¾ years since any quarter showed an increase. Moreover, perhaps as a punishment for my hubris in predicting an upturn just a year ago, every one of the quarters since then has been worse than what was previously the lowest three-monthly tally since MSL began counting in 1959 – 4,077 in October-December 1980.

Even so, one thing that the optimist in me at first interpreted as a bright spot is the slowing of the rate of descent to a single digit between January-March and April-June just gone. After all, on average across the years, the seasonal pattern of the market produces a fall of about 9 per cent between those two quarters. So a decline of merely 5 per cent might be good news in disguise.

Unfortunately, my inquiries suggest not. The slowing looks to be a one-off effect of the UK's general election in April. Organisations fearing a Labour government apparently delayed filling vacancies until victory went to the Tories, distorting the usual pattern.

Much the same benighted picture is shown by the counts which MSL has kept since the mid-1980s of advertised demand by four sectors of business. In every case it was a record low.

For the 12 months to June 30, high-tech companies produced a total of 874 executive jobs, 38 per cent down on the previous worst in 1990-91. Those in energy and related industries totalled 1,108, little more than half as many as in the 12 months before. Food, drink and tobacco companies produced 514, down 18 per cent on 1990-91. Retailing's total was 11 per cent down at 511 for the 12 months, but mercifully the quarter just ended showed an increase over April-June 1991.

True, advertised demand, although the largest part of the market, is not the only one. There are also consultants recruiting by the personal-approach methods of executive search, and so-called contingency recruiters who supply candidates from large numbers of job-seekers on their books.

Not long ago it was reported that searchers and contingency businesses were experiencing an upturn. But to judge by members of both camps I've talked to, that upturn has shared the fate of the one I predicted last July. The consensus was that, although business may now be better than in the depths of last year, the rise in demand hasn't been sustained. "Instead of scraping the bottom, we're bumping along a foot or two above it," said one.

All of which, alas, adds up to a continuing grim outlook for the thousands of executives thrown out of work in the recession, mostly through no fault of their own. Unlike the comparative handful of Lloyd's "names" who've been unlucky with their side investment, their plight has not been put on public show. And although I've tried to discover what they are doing, nobody I'm in touch with knows.

Agencies acting as clearing houses for freelance consultants and the like report an increase in registrations, but not one commensurate with the wholesale loss of jobs. I've also heard that advertisements now tend to draw so many applications that some employers are going into competition with contingency recruiters by setting up their own candidate banks for when the dawn breaks. May it come soon.

Michael Dixon

UNITED KINGDOM ADVERTISED DEMAND FOR MANAGERS AND KEY SPECIALIST STAFF
(12 months to June 30)

Type of work	1991-92 Posts advertised	1991-92 Change from 90-91 %	1990-91 Posts advertised	1990-91 Change from 89-90 %	1989-90 Posts advertised	1989-90 Change from 88-89 %	1988-89 Posts advertised	1988-89 Change from 87-88 %	1987-88 Posts advertised	1987-88 Change from 86-87 %
Research & devlpmt	1,400	−42.4	2,429	−33.9	3,673	−14.9	4,317	+14.6	3,768	+20.0
Sales & marketing	2,315	− 5.0	2,436	−21.4	3,101	−34.1	4,706	−26.5	6,402	+ 3.8
Production	2,287	−37.2	3,644	−37.0	5,781	−11.6	6,537	− 9.4	7,216	+46.9
Accounting	3,083	−17.8	3,752	−40.4	6,295	−14.7	7,377	− 7.1	7,942	+14.2
Computing	936	−33.5	1,408	−49.8	2,805	−36.1	4,393	+ 2.9	4,270	+21.3
General management	962	−13.7	1,115	−14.6	1,305	−10.4	1,457	−16.5	1,744	+22.2
Personnel	423	−21.4	538	−41.8	925	−24.1	1,218	+14.5	1,064	+ 2.1
Others	3,892	−21.1	4,934	−25.7	6,638	−21.6	8,472	+22.2	6,932	+13.3
Total	**15,298**	**−24.5**	**20,256**	**−33.6**	**30,523**	**−20.7**	**38,477**	**− 2.2**	**39,338**	**+18.2**
July-Sept	3,630	−40.8	6,131	−22.0	7,858	−15.8	9,338	+12.9	8,274	+ 8.0
Oct-Dec	3,587	−32.5	5,318	−19.8	6,627	−26.8	9,048	− 2.2	9,248	+17.8
Jan-March	4,058	−11.2	4,572	−45.6	8,397	−23.1	10,915	− 2.7	11,223	+22.4
April-June	4,023	− 5.0	4,235	−44.6	7,641	−16.7	9,176	−13.4	10,593	+23.2

BANKING FINANCE & GENERAL

CREDIT ANALYSTS
to £60,000 + bonus + benefits

Experienced graduate credit analysts required by leading banks. Fluency in European languages required for some positions i.e. Italian, Spanish, French, German.

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Please contact Ron Bradley on 071-623 1266.

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JONATHAN WREN

MANAGER – MIDDLE EAST AND NORTH AFRICAN DEVELOPMENT – LONDON BASED

Essential requirements for this position are 4-6 years minimum experience in trade finance of crude oil and refined products and direct contacts and strong personal relationships with European, Middle East and African banks and the ability to bring new credit lines to the company. Additionally, direct contacts and personal relationships with decision makers at Middle East and North Africa oil producers and refiners and the abilities to profitably develop those contacts and expand the company's sources are required.

Fluency in English, Arabic and French or German will be necessary to recognize and exploit opportunities while travelling to the Middle East and North Africa.

Desirable qualities are direct oil trading experience, an understanding of futures, forward markets and hedging strategy, and experience in vessel chartering and insurance. Experience working with Swiss companies, within the Swiss legal and financial systems, would be particularly valuable.

If trading develops sufficiently the successful candidate may need to relocate to North Africa in the future.

Availability – Immediate   Salary – Negotiable

Respond to Box No A1902, Financial Times,
One Southwark Bridge, London SE1 9HL

INNOVATIVE NEW VENTURE IN GLOBAL FX

Rationalising and improving the efficiency of the FX markets has been long overdue. Backed by 14 international banks, this organisation is being set up to develop and operate a global FX clearing house. The clearing house will offer its members the ability to net and settle FX contracts on a multilateral basis giving the advantages of substantially reduced risks and settlement costs. Three key opportunities therefore exist for committed professionals who seek to form part of an innovative new venture. All positions are London based.

Operations Director — to £55,000 + Bens

As part of a multi-disciplined senior management team, you will initially take responsibility for establishing all internal operating procedures and functional systems specifications. You will ultimately be accountable for the day to day running of operations settlements and internal IT systems. The clearing house will operate on a 24 hours a day 6 days a week basis.

An integral part of the role will be to establish strong procedures and controls covering all aspects of settlement risk management and exposure as well as providing a focal point in terms of leadership and motivation for the operations staff.

Working in an international banking environment, you must possess a good understanding of foreign exchange, treasury and money market settlements in addition to appreciating the way in which operations, IT systems and other cross functional relationships integrate together in a closely knit management structure. **Ref CA397.**

Operations Manager — to £40,000 + Bens

Taking responsibility for the day to day management of clearing house operations, this position will initially focus on system specification as well as building a medium-sized operations department to provide a 24 hours a day 6 days a week service.

Once operations commence the successful candidate will be responsible for the day to day management of the settlement and nostro functions. This will require an awareness and understanding of operational and settlement risks. You will report to the Operations Director.

Having gained strong FX and money market operations experience in an international banking environment, you must have a pragmatic and positive approach to work and be able to effectively project manage the implementation of an operations process in a new and evolving business environment. **Ref CA398.**

Risk Manager — to £45,000 + Bens

Reporting to the Risk Director this position will be responsible for recommending and executing effective risk management policies and procedures.

Key initiatives will focus on analysing all areas of risk in the settlement process, management of FX and interest rate risk as well as undertaking the assessment of new products, members and participants in addition to maturities and currencies. During the development phase you will contribute to the specification of systems to support the risk management functions. You will be required to monitor members' credit status through technical analysis and contacts in the market.

Applicants should have a financial risk management background and must be familiar with portfolio theory and other relevant statistical tools. You must be able to demonstrate a proven knowledge and understanding of complex treasury products and foreign exchange. Proven experience of initiating and developing a fully documented and practical risk management policy would be an advantage. **Ref CA399.**

Each of these roles gives the opportunity to participate in a progressive, creative environment requiring commitment, dedication, team work as well as offering exceptional experience. The full range of financial sector benefits: performance bonus, car, mortgage subsidy and pension is included in each package.

Interested candidates should write enclosing a full CV to *Michael Herst* or *Charles Austin* at the address below quoting the appropriate reference number.

HARRISON WILLIS

EXECUTIVE SEARCH & SELECTION

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European Mutual Fund Marketing
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Schroders is a highly successful international merchant bank managing investments of over £25 billion worldwide. Schroder Investment Management Limited, based in London, is the fourth largest U.K. investment manager with a strong performance record and growing client list. The U.K. unit trust subsidiary is now ranked sixth in assets and has been the fastest growing top ten unit trust group in the past three years.

As opportunities in Continental Europe increase, a person is required to co-ordinate and develop sales of a Luxembourg-based umbrella fund and of U.K. funds to European investors.

In your early 30's to late 40's, you will have a proven track record of promoting financial service products in Europe and preferably experience of mutual funds. You should have a degree or other professional qualifications and fluency in English and at least one other European language. You should be strongly self-motivated whilst at the same time able to work as part of a highly professional team.

Total compensation package includes: a competitive salary, performance related bonus and an attractive range of benefits.

Please write enclosing a C.V. to: William G Lewis, Assistant Director – Personnel, Schroder Investment Management Limited, 120 Cheapside, London EC2V 6DS.

Schroders

Assistant to Compliance Officer
Salary up to £25,000

Rudolf Wolff, founder members of the London Metal Exchange have been global commodities brokers for over 125 years.

Our reputation for professionalism and integrity is regarded as the industry's standard. It is therefore vitally important that we continue to maintain and enhance our position. To achieve this, we strongly believe that by creating a positive attitude to compliance throughout the organisation, we will ensure that we meet our own statutory obligations and adhere to our own internal regulatory systems.

Experience of the regulatory framework within the financial services sector is essential.

In the first instance please send your c.v. to Michael Moran, Human Resources Manager, Rudolf Wolff and Co Ltd, Plantation House, 31-31 Fenchurch Street, London EC3M 3DX.

Rudolf Wolff

EUROPEAN VENDOR FINANCE
London · *Paris* · *Munich*

Our client is the financial services subsidiary of one of the world's largest and most successful manufacturing and service groups. Market leaders in the supply of several specialist types of computer and telecommunications equipment, they have achieved an enviable record of income and profit growth in recent years. The opportunities to increase the percentage of European asset sales financed "in-house" has resulted in the need to appoint the following experienced professionals:-

CREDIT AND OPERATIONS MANAGER
Munich

The appointee will be responsible for the establishment and management of the entire back office function of the German finance company. Candidates should have a minimum of five years' credit and administration experience gained within the German leasing market. Fluency in English and German is essential.

SENIOR ACCOUNT MANAGERS
Three positions based in London, Paris and Munich

In each location, applicants should possess at least three years' experience of large unit vendor finance. This should include the negotiation and management of programmes and the training of a manufacturer's sales force. Candidates must be fluent in English and the language of the country of operation.

Excellent salary and benefits packages available.

Please contact **Peter Haynes** or **Keith Snow**.
All applications will be treated in strict confidence.

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UK: Telephone 071 623-1266 Facsimile 071 626-5258
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JONATHAN WREN LEASING

INVESTMENT BANKING OPPORTUNITY
Eastern European Team

Competitive salary + banking benefits · London base

A prestigious investment bank, actively trading worldwide, is looking for an experienced professional at associate level to join the Eastern European team in its Corporate Finance Department.

You must hold an MBA from a leading international business school and demonstrate proven academic excellence including a good primary degree, preferably from a major Eastern European University, in Finance or Economics. A proven track record in international finance, with at least two years' recent relevant experience in an Eastern European business environment, is a pre-requisite for this position. You will have good hands-on experience of a broad array of financial services such as domestic and cross-border mergers, acquisitions and joint ventures, complex corporate restructurings, recapitalisations, privatisations and financings in global capital markets.

You will play a critical role in developing and executing specific business in Eastern Europe. This will include mergers and acquisitions, IPOs for former state-owned corporations and the emerging private sector, and the co-ordination and management of public offerings and private placements of debt and equity securities. The co-ordination/ preparation of materials and exhibits related to business development and transaction execution is also required.

Candidates must have a high energy level, be able to cope in a highly pressurised environment and have proven interpersonal skills.

Total fluency in Russian and English (both written and spoken), plus a good working knowledge of one other European language is essential.

The rewards package and career development prospects are excellent.

Please write, in confidence, with full CV and stating any company to which your application should not be sent, to:
T L Roberts, Director, Ref 540,
Associates in Advertising,
5 St John's Lane, London EC1M 4BH.

ASSOCIATES IN ADVERTISING

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...makes a CASE for DATA

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Requires 12+ years in an IBM mainframe environment with direct experience in data modeling and/or database administration with 5+ years management experience in DA and DBA areas. CASE experience is also required, IEF and DB2 a plus. Respond using department code DK-FT.

DATA ADMINISTRATION MANAGER
Requires 10+ years performing Data Analysis function with 4+ years management experience. CASE experience is also required, IEF and DB2 a plus. Respond using department code AS-FT-01.

DATABASE ADMINISTRATION MANAGER
Requires 10+ years experience in IBM mainframe environment, with 4+ years in DBA management using DB2. CASE experience is also required. Respond using department code AS-FT-02.

For confidential consideration, please send your resume and salary requirements to: The Coca-Cola Company, P.O. Drawer 1734, Atlanta, GA 30301. PLEASE INDICATE APPROPRIATE DEPARTMENT CODE. Individual must be legally eligible to work in the United States. An Equal Opportunity Employer.

Interest Rate Options Trader
Investment Banking, Europe

Scotiabank, a major Canadian Bank, seeks an experienced Options Trader to lead, co-ordinate and develop its presence in the European Market.

The appointee will be responsible for the development of interest rate option trading within the Bank's existing derivatives group.

Candidates must be degree educated and highly numerate, with an in depth knowledge of options theory and its practical application to both a front and back office environment. The candidate will have extensive experience of and contacts in the respective market place and is unlikely to have less than 3/4 years relevant experience with an active interest rate options institution.

Salary is negotiable with an excellent benefits package.

Full personal and career details should be forwarded to Mrs Gillian Harris, Senior Manager, Personnel Department, Scotia House, 33 Finsbury Square, London EC2A 1BB.

Scotiabank

CASH MANAGEMENT MARKETING

A major European Bank is seeking a sales oriented Cash Management specialist. Recent board level decisions have raised the profile of Cash Management within the organisation, and the Bank in the UK is seeking to expand its customer base in this rapidly growing and competitive market.

The successful applicant will have good interpersonal skills and be able to fit into the existing small but highly motivated team. He or she is also likely to have good Cash Management, Electronic Banking, and Operations knowledge.

The primary role for this appointment is to meet customers and to match the services provided by the Bank to the customers needs. This will involve much travel throughout the UK, in support of the existing Relationship Management teams in the Bank's branches in the UK. Travel within Europe will also be fairly regular.

A competitive remuneration package including the usual range of bank benefits will be offered.

Please apply in confidence to Box A1903, Financial Times, One Southwark Bridge, London SE1 9HL

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STEPHANIE COX-FREEMAN
071 873 4027

INTERNATIONAL ECONOMIST

Julius Baer Investments Limited, part of the Zurich-based Julius Baer Group, wishes to recruit an International Economist to support its institutional investments management activities.

The ideal candidate, aged between 25 and 30, will have a good degree in Economics and several years' experience as an economist, preferably in the financial sector. The ability to communicate well verbally and on paper is essential.

The successful applicant will probably take responsibility for the UK and the major European economies. This will involve analysing recent developments, preparing forecasts and assessing the implications for the financial (especially fixed income and currency) markets. Views are presented through regular publications and through direct contact with fund managers and clients in London and overseas.

Please write, enclosing a full CV including current remuneration, to Dick Howard, Senior Economist, Julius Baer Investments Ltd, Bevis Marrs House, Bevis Marks, London EC3A 7NE.

JB B
BANK JULIUS BAER
For the Fine Art of Swiss Banking

A KEY ROLE IN INVESTMENT MARKETING AND COMMUNICATIONS

Prudential Life & Pensions is a major division of the Prudential Corporation, the UK's largest investor on the Stock Exchange with over £43 billion. Based in Reading, we combine substantial expertise in life and pensions product development with refined marketing and sales support for our own sales team and independent financial advisers.

In this senior role you will liaise with Portfolio Managers in order to present our outstanding investment strategies in a coherent and accessible manner.

Your responsibilities will include the gathering and presentation of information on fund performance and market movements in order to produce sales aids, design seminars for staff and clients, and compile comprehensive management reports. In addition, you will capitalise on your close links with investors and the marketplace in order to contribute to the design and development of new products.

Up to £40,000p.a. + car

You should be educated to degree level in Economics, Business Studies or another related discipline and must be able to demonstrate a firm grasp of the principles underlying modern investment practices. You should also have between three and five years' experience in financial services, ideally within the sales function of a Unit Trust, Life and/or Pensions group.

If you can complement your technical knowledge with excellent written and verbal communication skills, including the ability to build a rapport with a broad range of people and relay complex technical data in lay terms, please send a full CV to Jackie Havercroft, Personnel Consultant, Prudential Life and Pensions, Abbey Gardens, 55 Kings Road, Reading, Berkshire RG1 3AH.

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PRUDENTIAL

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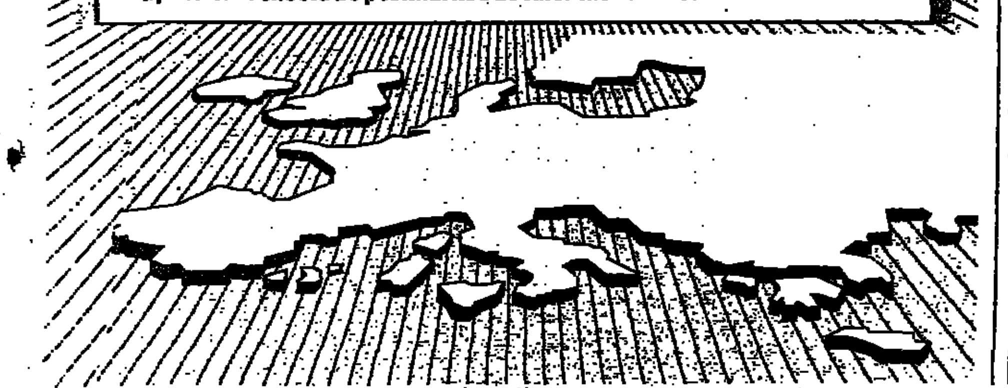
- be nationals of one of the Member States of the Community;
- have a thorough knowledge of one official Community language and a satisfactory knowledge of a second;
- be born after 24.08.59;
- have completed a course of university education and obtained a degree or diploma after 01.04.90.

The Commission is an equal opportunities employer and particularly welcomes applications from women.

The notice of Open Competition and obligatory application form contained in the Official Journal N° C 181 A of 17.07.92, may be obtained **only** by writing on a postcard, mentioning «COMPETITION COM/A/757» to one of the following addresses:

Commission of the European Communities,
Recruitment Unit - SC41 - COM/A/757, rue de la Loi 200, B-1049 Brussels.
Office in the United Kingdom, 8 Storey's Gate, London SW1 P3 AT.
Office in Northern Ireland, Windsor House, 9/15 Bedford Street, Belfast BT2 7EG.
Office in Wales, 4 Cathedral Road, Cardiff CF1 9SG.
Office in Scotland, 7 Alva Street, Edinburg EH2 4PH.

Applications should be postmarked no later than 24.08.92.



Treasury Accountant £55,000 pa + b. bens
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Swaps/Options Trader x 3 £25 – 40k + b. bens
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Senior Swaps/Options Marketing £40 – £60k + b. bens
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Please contact Kenneth Kean at CFL (Rec Cons)
Tel: 071-628 6663 Fax: 071-628 1700

CORPORATE FINANCE OPPORTUNITIES

MERGERS AND ACQUISITIONS
Several banks and securities houses are seeking German nationals or fluent German speakers specialising in M&A activities with a minimum of 2 years proven experience. Age up to 30 years.

COPORATE FINANCE
Exceptional people with superior educational qualifications. Graduates with a minimum of 2.1 passes with a preference towards MBA. A minimum of 2 years experience with a financial institution and a Europan language is essential. Age up to 30 years.

FOR FURTHER DETAILS, PLEASE CONTACT TERENCE de'ATH IN STRICT CONFIDENCE. TEL: 071 377 6488, FAX: 071 377 0887, OR SEND C.V.S TO: CAMBRIDGE APPOINTMENTS, 232 SHOREDITCH HIGH STREET, LONDON E1 6PJ

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Highly competitive salary and benefits package

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They wish to appoint a Senior Fund Manager with 3-5 years successful experience of managing complex client portfolios, predominantly within the international fixed income field, who is familiar with asset allocation techniques.

Based in London and reporting directly to the Head of Department, the successful candidate will join a small, dedicated team of investment professionals in an open, friendly environment. He or she will be expected to play a key part in decision-making, and, ideally, in building on previous experience of managing balanced funds.

*In the first instance, please address your application to **Richard Meredith** at the above address with a list of any banks to whom you do not wish your C.V. to be forwarded.*

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Hanover, Germany

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The ideal candidate will hold a university degree in business economics or law, and will have ten years financial or legal experience, with a minimum of five in an international environment. Preference will be shown to native speakers of English with fluency in German. Other foreign languages will be an advantage. The job holder will have to reside in the Hanover area and to travel extensively. Excellent analytical, communication and negotiating skills are essential.

Interested candidates should forward a detailed resume, including current salary package, quoting reference SC721 to: **Colin MacKay, Douglas Llambias Associates, 87 St Vincent Street, Glasgow G2 5TF. Tel: 041 226 3101. Or Grant Moore, Douglas Llambias Associates, 113/115 George Street, Edinburgh EH2 4JN. Tel: 031 225 7744.**

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RECRUITMENT CONSULTANTS

Financial Controller

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Within the company's considerable operating autonomy, *the Financial Controller, reporting to the MD*, has the whole range of financial responsibility within the senior executive management team. A qualified accountant of graduate calibre, you will have a good management track record in a major well-organised operation, preferably engaged in property development or management.

Drive, enthusiasm, commitment to the business, exceptional communications ability, technical competence and strategic vision—these will be the hallmarks of the Financial Controller. The management style is objective-driven and open, with a clear commitment to strategic planning, setting firm priorities and delivering material added-value.

The Financial Controller's position is very challenging with a wide range of issues to be addressed. In return, the remuneration package comprises a good salary, a major incentive bonus, company car and other benefits—together with strong prospects of future career advancement.

Candidates should send a comprehensive c.v. or telephone for an application form to Howgate Sable & Partners, Arkwright House, Parsonage Gardens, Manchester, M3 2LF. Tel: 061-839 2000, Fax: 061-839 0064 quoting reference (FT.696E).

Howgate Sable

SEARCH AND SELECTION: EXECUTIVES AND INDEPENDENT DIRECTORS

FOUNDER ASSC MEMBER

FINANCE MANAGER

Apply your technical skills in a key strategic role

South West London
c.£35,000 + car + benefits

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We now require a Finance Manager who, as part of the senior management team, will be responsible for providing financial and commercial management advice and for developing efficient information and business systems. Just as important will be your contribution to the strategic issues and direction of the organisation and your role as Company Secretary. Your outstanding interpersonal and influencing skills will be crucial in this respect as you address future challenges and identify areas requiring the introduction of new systems and procedures.

You will lead and motivate a team of finance professionals and direct all financial activities to ensure the effective management of an interdepartmental accounting and information service, the production of statutory and group reports, and the control of working capital.

With at least five years' post-qualification experience, you must have significant knowledge of running a finance and computing facility and maintaining business and administrative control systems.

The attractive rewards package includes salary, geared to qualifications and experience, pension, private health care and relocation assistance where appropriate.

To apply, please send a cv to Julia Moore, The Permutit Company Ltd, Napier Court 4, c/o Nugent House, Vastern Road, Reading, Berks RG1 8DB.

PWT WORLDWIDE
PERMUTIT

Compliance Auditor

£25,000 - £30,000 + benefits

CITY BASED

Friends Provident is one of the leading life offices in the UK with an investment portfolio of around £8 billion world-wide. The scope of the job which reports to the Compliance Manager covers monitoring the investment activities of the Friends Provident Group companies, carried out in the City of London.

Working without supervision, your key task will be to carry out the monitoring of the Stock Exchange Department's compliance with IMRO's rules. You will probably have a legal or accountancy qualification and must have at least five years practical experience within the Financial Services Industry, which should include two years experience as a member of compliance staff in an IMRO or similarly regulated business.

Our substantial benefits package includes a mortgage subsidy scheme, non-contributory pension scheme and staff restaurant.

For an informal discussion, please 'phone Tony Craig, Compliance Manager, on (0306) 740123. Alternatively, write with CV to Gill Arnold, Personnel Officer, Friends' Provident Life Office, Pixham End, Dorking, Surrey RH1 1QA.

FRIENDS PROVIDENT

REQUIRED COST ACCOUNTANT

An Industrial Saudi Company in the field of Wire Drawing & Related Products requires a Cost Accountant with the following qualifications:

- College Degree in Accountancy.
- Minimum 10 Years experience in the same field.

Interested Applicants should mail CV with copies of qualifications and experience certificates to:

P.O. Box 8491
DAMMAM 31482
Kingdom of Saudi Arabia
Att. GENERAL MANAGER
Fax: (00966) 3 827 13 31

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STEPHANIE COX-FREEMAN
071 873 4027

FINANCIAL CONTROLLER

The Head Office (London) of this UK based commercial Bank with several branches, seeks a fully qualified – preferably FCA – Financial Controller to join its dynamic, forward-thinking Management Team.

Reporting at a senior level the Financial Controller will be responsible for a number of key areas, including:-

- Managing the financial accounting and management reporting functions including the financial planning strategy.
- Implementing improved financial control systems, reporting procedures and Management Information Systems.
- Analyzing and reporting upon all aspects of the Bank's activities including budgeting, taxation and profit-centre accounting.
- Liaising with the Regulatory Authorities, External Auditors, Bank of England and FIMBRA.

The successful candidate will have at least seven years post-qualification experience in a reputable UK financial services organisation. This team player will possess a high degree of commercial awareness, a proven ability to manage people and computer literacy. Proficiency in the Arabic language would be an advantage.

In return, the Bank offers a highly competitive remuneration and benefits package – together with strong prospects of future career growth. Relocation assistance is available.

Please reply in confidence with a detailed CV and salary history to: Box A1904, Financial Times, One Southwark Bridge, London SE1 9HL

PARIS APPOINTMENT REQUIRED

Resident bi-lingual FCA, 42 years old with an MBA, Director of Finance and Administration. Experience with international banking, fund management, and the insurance industry seeks challenging appointment, in a line function; in a consultancy role or as part of a French start-up. Expertise includes French company laws and administration within the banking and insurance operations (life & general) and US reporting. Remuneration negotiable. Contact tel. 42.60.33.50. day/fax 42.60.30.43 or 43.33.70.33 evgs.

ACCOUNTANCY COLUMN

Internal auditors in search of an authoritative role

By Andrew Jack

THERE WAS a good deal of head-scratching at a hotel in west London earlier this week, where the Institute of Internal Auditors was holding its latest conference. The underlying message was one of unjust neglect of their profession by the outside world.

While accounting standards, auditing practices and the work of the accountancy firms dominates the news, internal auditors are barely noticed as they carry out essential functions for organisations and companies across the UK.

Internal auditing is the process by which a special group of a company's employees work to help assure management that the business is achieving its objectives economically, effectively and efficiently; that financial and operating information is reliable; that laws, regulations and procedures are being complied with; and that the assets are safeguarded.

While the external auditor typically spends a few weeks a year testing control systems and essentially building up a snapshot of the company's balance sheet, the internal auditor is submerged in its daily operations.

If the neglect of the internal auditor was a matter of perception or professional pride alone, it might not much matter. But while in some cases the staff are not appreciated, the depressing fact is that the function itself – while so evidently vital – is often altogether absent.

A survey of 1,185 quoted companies by the institute in conjunction with Aid to Industry last summer found that only 24 per cent had an internal audit function, and 23 per cent an internal audit committee. At the lower end, only 5 per cent of electronics companies had an internal audit function.

Mr Roger Cheesley, a partner with Touche Ross, which is marketing an "health check" service for companies to scrutinise their internal audit procedures, argues that many of the failures and frauds of recent months could have been prevented by an effective internal audit function. But he says: "Surprisingly little attention is paid to internal audit."

Mr Andy Robertson, chairman of the institute's public affairs committee and an internal audit controller with a private company, contrasts the London meeting – which about 200 people attended – with an equivalent function in Arizona in the US which he attended recently. There were more than 1,500 delegates.

He says the difference is explained by the slow development of the profession in the UK, the dominance and influence of the other accountancy bodies, and the fact that there remains no legislation to drive its expansion by requiring internal auditing to take place.

Part of the problem has also been that, traditionally, internal auditing has had a reputation as a second-rate job. "You used to place the accountants who couldn't do anything decent into the internal audit department," says Mr Harold Izzard, a past president of the institute and now its spokesman on corporate governance.

As a result, the staff were not always of the highest quality, turnover was high, and the results achieved were not necessarily the most impressive.

The institute is keen to argue that things are beginning to change, however. It points proudly to nearly 4,000 members. It displays its code of professional ethics, and a series of guidelines and position statements.

Perhaps most significantly, it stresses the fact that since 1990 full membership has only been available to those who pass its written examinations and gain relevant work experience over at least three years. They can then become either a Member of the Institute of Internal Auditors (MIAA), or obtain the specialist Qualification in Computer Auditing (QiCA).

'External auditors can only scratch the surface. Internal auditors constantly monitor controls and systems. They are in a prime position to identify problems.'

Mr Robertson says that while the recession may also be a factor, the growing status and more demanding nature of the role helps explain why his own company's internal audit department is now receiving a large number of job applications from chartered accountants – something that would never have happened even a few years ago.

The status and importance of the profession has certainly grown as its influence has spread. The public sector has made far greater play of internal audit than the private sector, driven by legislation and public pressure for accountability.

Other worries remain. There will always be be tension for the internal auditor in identifying high-level fraud: it may require going to the managers involved; or to the external auditors who – according to Mr Izzard – often find such discoveries embarrassing.

On a more practical level, Mr Cheesley says that the internal auditors are often used as "fire-fighters" for the accounts department during periods of illness or high pressure. They provide back-up support to other functions within the business, at the expense of their own work.

But he stresses that where internal audit is performed effectively, it is a vital complement to the work of the external auditor. It can provide reassurance, highlight areas of weakness, and prevent costly duplication of effort. "The question is whether management is giving internal auditors an opportunity," he says.

As Mr Andrew Chambers, professor of internal auditing at the City University Business School in London, pointed out at the Institute's conference this week, there still appears to be little attempt to involve internal auditors in the wider debates about accountancy and corporate governance, and little discussion of the issues it raises by other bodies.

One example of this neglect which Mr Chambers cites is the Cadbury report on the financial aspects of corporate governance, which has caused some irritation at the Institute. It was not invited to sit on the committee or to help sponsor its work.

Mr Andy Robertson takes some comfort from the fact that it did participate in discussions. "But we are still only mentioned in the notes at the back," he says. This low-key role is reflected in the final conclusions made in the report.

The institute made a submission when the committee first began operating a year ago. It is now on the point of submitting a detailed response to the draft. In contrast to most professional bodies, it launched a strong and immediate attack when the report was issued in late May.

Mr Neil Cowan, the president elect, said at the time: "Cadbury pays lip service to internal auditing. It doesn't give it any teeth." He said that fraud was most likely to be detected by the internal auditor; that the chief internal auditor should have unimpeded access to the audit committee; and that all listed companies should be required to have an effective internal audit function.

The Cadbury report does stress that "an effective internal control system is an essential part of the efficient management of a company". But there are no recommendations to reinforce this point. It talks about the importance of the audit committee, but its makes little play of the role of the internal auditor in providing information to the committee.

As a result, it should come as no surprise that the institute criticised the report for taking a "top-down" approach to corporate governance, and considering the issues from the perspective of the external auditor.

Mr Izzard warns that if the amended Cadbury report due out later this year does not include stronger recommendations on internal auditing, it will deal a powerful blow to the profession. "Without internal audit, the audit committee is a bit of a farce," he says. "External auditors can only scratch the surface. Internal auditors constantly monitor controls and systems. They are in a prime position to identify problems."

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Senior Tax Manager

to £40,000 + Performance Related Pay + Car

Our client is a financial services organisation with a turnover of £50 million and approximately 1000 staff. Based solely in the UK it operates seven regional centres and provides services to a wide variety of clients. Tax implications impinge heavily on client activities and it wishes to enhance its advisory role on tax and related matters.

Initially the role will be as sole taxation expert but you will also be responsible for co-ordinating the work of selected staff to provide general taxation advice on a local level.

Applications are invited from Senior Managers from major audit practices (ACA and/or ATII) with a broad understanding of all taxation issues including the tax implications of setting up subsidiary companies. You should have excellent communications skills and be prepared to undertake presentations with the ability to 'coach' clients and staff. As this is a new role the appointed individual will be expected to sell the service internally as well as externally. The successful candidate can be based at any one of our client's regional centres.

Interested candidates should contact **Charles Ferguson at Michael Page Finance on 071 831 2000,** or write to him **before 31st July 1992 at Page House, 39-41 Parker Street, London WC2B 5LH.**

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Finance Director

London | **OTE c £50,000 + Car**

Our client, a subsidiary of one of the UK's most prestigious blue chip companies, is a market leader within its own service sector niche.

In line with the corporate policy towards increased decentralisation, a new role of Finance Director has been created.

Working as a key member of the senior management team, the position carries responsibility for effecting both a cultural change and refocussing of operational approach. New systems and procedures will be critical to the achievement of these aims and the Finance Director will be required to critically appraise and implement the necessary changes to those currently in place, whilst maintaining day to day management of financial control.

The ideal candidate will be a qualified accountant, probably aged 35-45, who is a proven change manager with exposure to the financial management of high growth environments, new systems implementations and multi-site distribution. A track record as the key finance member within an operational business unit, an interrogative, hands-on approach with strong staff management and interpersonal skills are prerequisite to the appointment.

Interested applicants should send a full curriculum vitae, quoting **reference 701,** to **Diane Forrester ACA, Michael Page Finance, Executive Selection Division, Page House, 39-41 Parker Street, London WC2B 5LH.**

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child support unit
Department of Social Security

Price Waterhouse
EXECUTIVE SELECTION

Resources Director

A senior finance and development role

£42 – 46,000 + benefits   London

With a budget in excess of £100 million, the Department of Social Security's Child Support Agency will be launched in April 1993 to administer the new child maintenance system. Systems are being set up with the aim of providing a high quality, professional and efficient service to customers nationwide.

As Resources Director, you will sit on the Agency's Management Board and be directly accountable to the Chief Executive for the management of the Agency's finance, personnel and estates management functions. The diverse nature of the role will require a blend of strategic and "hands on" involvement in the management of the change process. It will also require frequent travel within the UK.

You will be a qualified accountant with extensive experience of the development and operation of complex financial systems and personal responsibility for controlling a large budget. You will also have a knowledge of personnel systems and an understanding of how to motivate and manage large teams. In addition, you will have experience of audit and, ideally, estates management.

This position will be offered on the basis of a 5 year contract.

If you would like to discuss this opportunity further and you believe that your skills and experience enable you to meet the challenges offered by this role, then please telephone Heather Thomas on 071 939 6341 or write to her quoting reference F/1276/FT enclosing a CV and salary details. Complete confidentiality regarding your initial contact is guaranteed.

Executive Selection
Price Waterhouse
Management Consultants
Milton Gate,
1 Moor Lane
London EC2Y 9PB
Fax: 071 638 1358

Senior Internal Auditor

Kent Coast

c.£36K + car + benefits

As a leading reinsurance company which has recently been acquired by a major European financial services group, our client is now undergoing significant management and operational changes which have led to the need to establish an internal audit department and create the role of Senior Internal Auditor.

Reporting primarily to the sector head in Europe, the successful candidate will be required to establish the audit function, to ensure that effective administrative and management controls are developed and maintained, and to review systems and procedures throughout the UK organisation. Initially he/she will have one subordinate and further recruitment will take place as and when required.

Applicants are expected to be chartered accountants in the age range 35-45 with experience of internal audit as the number one or two in an organisation. Experience and knowledge of insurance company business and procedures would be a definite advantage as would a knowledge of computer audit. They should have the maturity to retain complete independence, should have excellent communication skills and the diplomatic ability to win acceptance of a function which will control as well as support the company's activities.

Interested candidates should send comprehensive CVs together with salary details to Tony Saw at the address below, quoting reference N7803.

KPMG Selection & Search
2-3 Dorset Rise, Blackfriars, London EC4Y 8AE

The Top Opportunities Section
appears every Wednesday. For advertising information call:
Stephanie Cox-Freeman 071 873 4027 | **Elizabeth Arthur 071 873 3694**

COMMODITIES AND AGRICULTURE

Traders believe producers behind zinc price rise

By Kenneth Gooding, Mining Correspondent

TRADERS SUGGESTED yesterday that a producer-inspired market support operation was behind the steep rise in the London Metal Exchange price of zinc, which yesterday touched $1,365 a tonne at one stage – the highest level for 21 months.

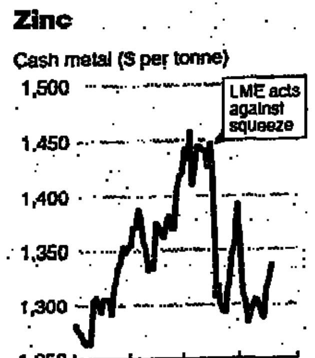
Since the latest attempt by the LME executive to keep the market orderly ended on Wednesday this week, zinc has risen by nearly 4 per cent. The three-month price closed at $1,359.50 a tonne last night, up $23 following a $27.5 a tonne rise on Wednesday.

The LME's zinc market has been in the grip of technical tightness almost continuously since April last year. The exchange's executive issued two warnings and managed to nip a squeeze in the bud in January.

But the LME had to take action on June 15 in order to maintain an orderly market after the premium being paid for cash zinc over three-month metal reached nearly $200 a tonne. The LME placed a limit on the daily backwardation (premium for cash metal over future dates). This limitation ended on Wednesday.

Zinc

Cash metal ($ per tonne)



Source: Datastream

Consumers maintain that during the first six months of this year the zinc market fundamentally deteriorated and that physical metal is in plentiful supply – as indicated by the record LME stock levels.

Mr Robin Bhar, consultant to *Carr Kitcat & Aitken, part of* the Banque Indosuez Group, said in his latest Metals Markets Insight: "Producers have become increasingly prominent in the options market, accounting at times for up to 40 per cent of turnover. Because of this activity some believe that concerted producer support operations are behind the technical squeeze and, therefore, the price rise."

Traders said the latest concern was about October delivery dates and that the backwardation for October was now $65 a tonne.

After its most-recent meeting the LME board said it had noted concern about tightness appearing once again on further forward dates, particularly October and November and said it would "closely monitor" the market.

Mr Angus MacMillan, research manager at Billiton-Enthoven Metals, part of the Royal Dutch/Shell group, pointed out yesterday that zinc supply outpaced demand last year and probably would do so again in 1992. Fundamentally, the price for three-month zinc should be about $1,100 a tonne. However, consumers still *needed metal and they were* buying whenever the price dipped to $1,200. He added: "It is difficult to see what the LME can do about the squeeze. But we are in for an interesting summer for zinc."

Farming has low profile on Clinton agenda

Nancy Dunne says the US presidential nominee's rural record is comparatively sparse

A VICTORY for Governor Bill Clinton in November's US presidential election could either mean a more confrontational approach with the European Community over farm trade or far-reaching changes in the US farm programme to defuse the current stalemate in the Uruguay Round.

The Democratic party platform gives little hint of the direction a Clinton Administration would move on farm policy. It took a bloody, behind-the-scenes battle to produce a two-paragraph mention of "agriculture and the rural community" and it offers only one clue – a reference to "family farmers" who must get "fair prices" for their products is a bow to the liberal wing that backed the unsuccessful campaign of Senator Tom Harkin.

Senator Harkin has long pushed for higher price support loans to cover the cost of production, large acreage set-asides, lower government subsidies and a system of supply-*management like the one* which the EC has been developing.

The platform takes a swipe at the "inattention and hostility" that has characterised Republican farm and rural policy, its "staggering" costs, and "its total failure as demonstrated by the record number of rural bankruptcies".

Just as opaque as the platform is the Clinton campaign position paper on trade and agriculture. It misses few of the clichés of the past decade, promising to open new markets for US farm goods, bring down unfair trade barriers, and "stick up for farmers at the negotiating table". It vows aggressive use of the Export Enhancement Program – an export subsidy scheme developed to challenge the EC's subsidies.

"When foreign competitors use export trade to gain unfair advantage, Bill Clinton won't just stand by and watch – he'll guarantee a level playing field," it says.

The position paper is more specific on the North American Free Trade Agreement, which the governor has supported – provided it is "the right kind of Nafta," protecting environmental, food safety and labour interests. The paper promises to ensure that Mexican citrus *and vegetable farmers do not* undersell US farmers "through cheap but environmentally hazardous methods".

In its recent "Putting People First" economic strategy, the Clinton campaign struck out unequivocally about one cut to be made in the US farm budget – subsidies for honey producers – at a savings of $20m a year.

As is usual in the case of presidential campaigns, the candidate is being bombarded with position papers and advice. The governor has praised a transition document, prepared by some of the party's well-known liberals and moderates. The Citizen Transition Project includes Mr Mark Green, consumer advocate; Ms Madeleine Kunin, former governor of Vermont; and Mr Harvey Gantt, unsuccessful senatorial candidate for North Carolina.

The idea of the paper is patterned after the conservative blueprint produced in 1980 by the then-obscure Heritage Foundation and embraced by the Reagan Administration.

One of the co-authors of the paper's farm section is Mr Mark Richie, a farm activist and a significant force in the opposition to the US farm pro*posal in the Uruguay Round* and the North American Free Trade Agreement. A strong indictment of the Reagan-Bush farm policies and their effect on small and medium-size producers, the transition paper lays the philosophical groundwork for a supply-management programme and the "de-intensification of production" to preserve the environment and produce safer foods.

The General Agreement on Tariffs and Trade, it says, should be encouraged to enforce rules already on the books and to define others more precisely in order to curb subsidies and dumping. Failure to do this has driven prices down and thrown farmers off their lands the world over.

The Gatt would *also* be encouraged to use its Article XI to require countries using import controls to link them with internal production controls. "This linkage, which depends upon supply management to generate a balance between production and consumption, is intended to ensure non-discriminatory treatment for all producers and fair trade. Yet almost all major countries ignore this rule," the paper says.

Although he comes from a rural state, Governor Clinton's record on agriculture is comparatively sparse. By inclination, he is almost obsessively centrist. He has had close ties with a giant poultry producer in his state, but he has also taken a number of steps to save farmers from bankruptcy.

Mr Harvey Jo Sanner, an Arkansas farmer and a long-time supporter of Governor Clinton, said the governor understands the need for higher grain prices and "wouldn't mismanage the farm programme to drop down the prices" as have the Reagan and Bush Administrations.

His "partner" in the campaign – Senator Al Gore, his vice presidential choice – supports programmes to expand the number of commercially *viable*, family-sized farms and land set-aside programmes for both conservation purposes and to provide a better balance between production and demand. Neither candidate is known to have advocated the import controls thought necessary to keep prices higher.

Whatever policy would be pursued if Governor Clinton is elected depends largely upon the recommendations of his cabinet. Speculation is rife about who could be chosen. Retiring Senator Kent Conrad of North Dakota is being pushed for agriculture secretary, and Mr Robert Strauss, the US ambassador to Russia, is talked of hopefully to once again serve as US trade representative. It is felt that if anyone can wrap up the Uruguay Round, he can.

Market confused over level of Russia's base metal exports

RUSSIA'S ATTEMPTS to *change the way base metals* are exported this year have created greater confusion and uncertainty among traders, who have no clear idea about how much metal is being produced and shipped, reports Reuter.

The consensus is that exports will be below 1991's record levels, but estimates of totals vary because shipments to the West in the first half of the year have been erratic.

Yesterday, Mr Vitaly Shevelyov, deputy director of Raznoimport, said in Moscow that *Russian exports of aluminium* and nickel were currently 25 per cent down on year-ago levels.

"They could be 25 per cent down – why not? – or I would not be surprised if it was 10 per cent higher," a physical trader commented.

Last year, shipments of Russian aluminium totalled about 800,000 tonnes, while the West bought some 115,000 to 120,000 tonnes of nickel.

This year Russia has set a target for its aluminium exports of 615,000 tonnes, while nickel shipments are expected to drop to about 100,000 tonnes.

But many traders see a different picture. "There are *infrastructure problems, no* money to buy spare parts for plants. Exports could fall by as much as 50 per cent this year to nearer 400,000 tonnes," one said.

A physical metals merchant estimated that only about 40 to 50 per cent of last year's total metal exports will eventually come out.

However, Raznoimport's Mr Shevelyov, while giving no figures, said that metals output was the same as last year.

Russian marketing officials in London agreed, but said exports *might fall.*

One marketing agency said, "We (ourselves) expect to export around 100,000 tonnes of aluminium this year, much the same as last year. That includes around 40 per cent of LME 99.7 [per cent purity] metal and other ore grades from 99.5 down to 99 per cent [non-LME]."

Mr Stephen Briggs, analyst with Metals and Minerals Research Services, estimated that exports were slightly lower in the first half of this year "because of the bureaucratic jumbles in January and February . . . But they are likely to be higher in the second half as they need the reve*nues*".

In January, Russia imposed new licensing procedures and export tariffs on base metals, as well as allowing plants and producers to market their own output if they wished. This had mixed results: the tariffs were revised several times, barter increased and many different organisations appeared to market metal and by-pass old centralised agencies.

"The switch to capitalism caused more problems . . . metal and money has simply been lost," one trader said.

A physical merchant added, "It's very hard to get real deals done. Transportation is a nightmare. You're not having alumina go into the plants and you're not getting metal coming out . . . We are buying aluminium from different people, different organisations and different smelters."

Latest moves by Russia are designed to bring some order into this chaos. From July 1, organisations wishing to export non-ferrous metals have had to register with the Ministry of Foreign Economic Relations. But traders doubt if this will help.

Growers approve cut in Colombian coffee price

AN EXTRAORDINARY National Coffee-Growers' Congress yesterday approved a 10.5 per cent cut in Colombia's coffee producer price, coffee officials said, reports Reuter from Bogota.

Mr Jorge Cardenas, general manager of the National Coffee-Growers' Federation, said the congress approved a reduction in the internal price to 85,000 pesos (£70) per load of 125 kg from P95,000.

It is the second reduction this year in the price paid to Colombian producers for their coffee, following a 5 per cent *cut in February.*

The reduction was part of a package of measures approved by the congress to counter a financial crisis in the National Coffee Fund, which finances the purchase of coffee in Colombia. Mr Rudolf Hommes, the finance minister, said earlier that the fund could become insolvent next year unless urgent measures were taken.

Mr Cardenas said the reduction in the producer price would save $150m of the fund's present $500m imbalance.

The congress adopted a package of measures proposed by the National Coffee-Growers Committee with a few amendments, coffee industry officials said.

The plan finally adopted calls for 30,000 hectares (74,000 acres) to be taken out of coffee production in the next year and aims to ultimately eradicate up to 100,000 ha. Producers who participate will receive compensation of 1m pesos per hectare, according to the final document. Where possible, farmers will substitute other crops.

Producers who wish to uproot their plantations for sanitary reasons will receive P350,000 a hectare in compen*sation.*

A programme to promote the renovation of coffee plantations will be suspended and the government will ask financial institutions to make loans available for diversification, the document said.

The National Coffee-Growers' Federation will cut its costs by a real 20 per cent next year through adjustments to programmes and staff reductions. The National Coffee Fund will postpone or suspend new investments. Regional coffee committees have committed themselves not to promote new sowings of coffee or the modernisation of plantations.

Crop recovery spreads gloom among Greece's olive groves

Kerin Hope reports on a glut that is hitting prices

MANY GREEK olive oil producers, facing slack demand this year, have resorted to doing their own marketing. Farmers have gone direct to the consumer, selling oil door-to-door in 20-kilogram tins, at prices that barely meet production costs.

Output in the 1991-92 season returned to average levels after a shortfall in 1990-91, the result of a prolonged drought. According to the Agriculture *Ministry, total production* reached about 320,000 tonnes, compared with only 197,000 tonnes the previous season.

The increased production meant that farmers in Crete and the Peloponnese, which normally account for almost two-thirds of Greek output, were left with about 160,000 tonnes of oil that seemed unlikely to find buyers.

Producer prices collapsed earlier this year, falling from Dr1,200 (£3.40) to Dr600 a kilogram for extra virgin oil. "This is around cost price for a farmer who does most of the work with his family. Producers who hired pickers last winter have come out with losses," says a government agricultural officer in Sparta in the southern Peloponnese.

There are an estimated 400,000 olive farmers in Greece, most of whom cultivate small orchards, with assistance from their families at harvest time. A labour shortage in the countryside means that larger producers must pay high daily rates to itinerant pickers.

Early forecasts suggest that *this winter's olive crop will* match last year's, and growers fear that they will again have trouble finding sufficient customers.

However, this month the European Community came up with an intervention price of Dr587 a kilogram for top-quality oil, enabling producers to recoup outlays by selling their produce to the co-operatives before the next harvest.

At the same time, exports have picked up slowly as Italian buyers, taking advantage of the price slump, resume large bulk purchases. Greek oil exports are volatile, but have averaged about 70,000 tonnes annually in recent years.

Greek producers complain that most of the high quality oil is mixed in Italy with small amounts of local oil and exported to northern Europe and the US as Italian.

"The best Greek oil compares for quality with oil from Tuscany. But not enough effort is made to market it," says Mr Julian Cassaveti of Harvest Commodities, an Athens-based analyst.

A new law that *comes into* effect with this year's harvest, requires all Greek oil to be sold with a label showing its region of origin. This, it is hoped, will have the dual effect of discouraging local merchants from mixing Greek oil with cheaper Spanish imports and encourage a new approach to marketing.

The farmers carrying cans of oil to city apartment blocks may have taken the first step. But, says Mr Giorgios Economou of Sevitel, an oil exporters' association: "We have to make the switch to bottled oil with *labels* of origin and do more work on finding distributors abroad."

WORLD COMMODITIES PRICES

MARKET REPORT

The technical correction that has been under way in the London Metal Exchange **TIN** Market over the past week continued yesterday when the cash price fell by another $175 to $6,820 a tonne. Dealers said the fall, which took the fall over the last six trading days to $340 a tonne, was also influenced by Chinese and Brazilian selling. For **NICKEL**, in contrast, Chinese buying was an underpinning factor as the cash price regained another $70 of its recent fall to reach $7,495 a tonne. The **GOLD** price maintained this week's uptrend with a 70 cent rise to $352.55 a troy ounce. At the London Bullion Market's morning fixing it had reached a 5-month high of $353.15 an ounce, prompting one dealer to comment: "People are looking for excuses to hold gold whereas before they were looking for excuses to sell it". At the London Futures and Options Exchange **COCOA** was back on the downward path, with the September delivery position closing at £584 a tonne, down £13 on the day. Dealers said trading was subdued and thought the market was set for a period of consolidation after retreating £48 from Monday's 2½-month peak.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$18.45-8.50y	+.15
Brent Blend (dated)	$21.05-21.15	+.125
Brent Blend (Sep)	$20.25-20.30	+.1
W.T.I (1 pm est)	$21.55-1.60y	+.1
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$223-226	+1
Gas Oil	$185-186	+2
Heavy Fuel Oil	$83-85	
Naphtha	$197-199	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$352.55	+0.7
Silver (per troy oz)♣	203.63c	-1.51
Platinum (per troy oz)	$383.25	-3.25
Palladium (per troy oz)	$88.00	-0.25
Copper (US Producer)	119.83c	+1.53
Lead (US Producer)	37.0c	
Tin (Kuala Lumpur market)	17.01r	-0.4
Tin (New York)	323.5c	+0.5
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	111.78p	+0.78*
Sheep (live weight)†♠	76.74p	-5.32*
Pigs (live weight)†	88.85p	-2.81*
London daily sugar (raw)	$266.0w	
London daily sugar (white)	$297.0w	+1
Tate and Lyle export price	£247.5	+0.5
Barley (English feed)	£111.0	
Maize (US No. 3 yellow)	£149.0	
Wheat (US Dark Northern)	Unq	
Rubber (Aug)♥	50.50	-0.25
Rubber (Sep)♥	50.50	-0.25
Rubber (KL RSS No 1 Jul)	221.0r	
Coconut oil (Philippines)§	$537.5t	+5
Palm Oil (Malaysian)§	$385.0z	-5
Copra (Philippines)§	Unq	
Soyabeans (US)	£135.50	
Cotton "A" index	65.85c	+0.5
Wooltops (64s Super)	377p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-Sep/Oct w-Jul/Aug y-Sep z-Aug. †Meat Commission average fatstock prices * change from a week ago ♥London physical §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices. ‡‡ previous figure should have been 250.5

SUGAR – London FOX			($ per tonne)	
Raw	Close	Previous	High/Low	
Aug	245.00	235.80	242.00	235.00
Oct	226.00	217.00	223.60	216.20
Dec	210.00	203.00	207.00	201.00
Mar	212.40	206.40	210.00	206.40
White	Close	Previous	High/Low	
Aug	310.00	293.60	304.00	292.00
Oct	274.50	269.70	274.50	266.00
Dec	272.00	267.70	271.50	266.50
Mar	275.50	269.80	274.00	267.00
May	277.50		275.50	
Aug	282.00	275.40	281.50	

Turnover: Raw 173 (426) lots of 50 tonnes White 3239 (2731) Paris- White (FFr per tonne): Oct 1376.25 Dec 1378.85

CRUDE OIL – IPE			$/barrel	
	Latest	Previous	High/Low	
Aug	20.29	20.21	20.40	20.25
Sep	20.34	20.29	20.43	20.28
Oct	20.30	20.28	20.38	20.25
Nov	20.20	20.26	20.32	20.20
Dec	20.17	20.17	20.25	20.17
Jan	20.10	19.04	20.10	20.10
Apr	19.70		19.70	19.70
IPE Index	20.03	20.07	20.03	20.03

Turnover 26500 (31994)

GAS OIL – IPE			$/tonne	
	Close	Previous	High/Low	
Aug	186.00	184.25	187.50	185.75
Sep	187.75	186.00	189.25	187.75
Oct	190.25	188.50	191.25	190.00
Nov	192.25	190.50	193.25	192.25
Dec	193.50	191.75	194.50	193.50
Jan	191.75	190.25	193.25	192.25
Feb	188.25	186.50	189.50	
Mar	184.75	183.00	188.25	
Apr	182.25	180.25	183.25	182.50

Turnover 10156 (8136) lots of 100 tonnes

FRUIT & VEGETABLES
Bananas are this weeks best fruit buy at 45-55p a lb (40-60p), reports the FFVIB. Peachs at 20-25p each (15-20p), Nectarines at 18-28p each (25-35p), and kiwifruit at 18-20p each (16-20p), are also good fruit buys. This weekend will see the first flush of Runner *beans* at 99p-£1.20 a lb (99p-£1.20), while English broccoli is superb at 70-80p a lb (80-90p), along with English Hispi cabbage at 25-30p a lb (25-30p). The best salad buy this week are tomatoes at 35-50p a lb (40-50p). Other good salad buys are English iceburg at 45-60p each (50-65p) and English and Dutch cucumbers at 30-50p each (40-50p).

COCOA – London FOX			£/tonne	
	Close	Previous	High/Low	
Jul	585	590	585	
Sep	584	597	604	583
Dec	614	627	634	614
Mar	643	656	663	643
May	662	673	675	662
Jul	681	690	693	680
Sep	700	709	709	697
Dec	726	735	725	

Turnover 4024 (4511) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jul 15 766.67 (759.79) 10 day average for Jul 16 766.45 (764.25)

COFFEE – London FOX			$/tonne	
	Close	Previous	High/Low	
Jul	765	760	765	750
Sep	781	772	784	759
Nov	783	784	788	772
Jan	798	798	802	790
Mar	816	816	817	813
May	835	833	835	831
Jul		851		

Turnover 3971 (3107) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jul 15: Comp. daily 49.86 (49.54) 15 day average 47.98 (47.78)

POTATOES – London FOX			£/tonne	
	Close	Previous	High/Low	
Apr	80.4	79.3	80.0	79.0

Turnover 65 (39) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne
No trade today.

FREIGHT – London FOX			$10/Index point	
	Close	Previous	High/Low	
Jul	1080	1079	1080	1080
Aug	1105	1119	1130	1100
Sep	1135	1138	1160	1135
Oct	1220	1220	1230	1220
Jan	1245		1245	1240
Apr	1275		1276	
Oct	1300	1300	1300	
BFI	1061	1059	1061	

Turnover 464 (100)

GRAINS – London FOX			£/tonne	
Wheat	Close	Previous	High/Low	
Sep	112.65	113.00	112.65	
Nov	115.80	115.80	115.80	115.40
Jan	119.25	119.25	119.25	118.80
Mar	122.10	122.30	122.10	121.95
May	125.00	125.00	125.00	124.75
Barley	Close	Previous	High/Low	
Sep	110.75	111.15	110.75	
Nov	114.40	114.50	114.40	114.20
Jan	117.50		117.50	
Mar	120.00	120.30	120.00	
May	121.50	121.80	121.50	

Turnover: Wheat 179 (184), Barley 114 (136).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg			
	Close	Previous	High/Low
Jul	118.0		117.5
Aug	107.5	106.0	107.0
Sep	106.5		106.4
Nov	106.0	106.5	106.0
Mar	101.0		101.0

Turnover 29 (7) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)						
	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 12,587 lots
Cash	1296.5-7.5	1299-9.5	1298.5/1297	1297.5-8.5		
3 months	1321-1.5	1324-5	1328/1320	1322-2.5	1324-5	171,704 lots
Copper, Grade A (£ per tonne)						Total daily turnover 30,370 lots
Cash	1323-4	1328-9	1340/1325	1334.5-5		
3 months	1340-1	1342-3	1359/1340	1351.5-2	1332-4	135,457 lots
Lead (£ per tonne)						Total daily turnover 6,190 lots
Cash	322.5-3.5	320-1		324.25-4.75		
3 months	334-5	332-3	337/333	335.75-6	332-3	25,647 lots
Nickel ($ per tonne)						Total daily turnover 4,283 lots
Cash	7490-500	7420-30	7485	7482-5		
3 months	7565-70	7495-500	7570/7515	7556-7	7560-5	25,252 lots
Tin ($ per tonne)						Total daily turnover 2,316 lots
Cash	6815-25	6890-7000		6815-20		
3 months	6850-60	7025-8	6935/6840	6850-2	6855-60	11,210 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 17,335 lots
Cash	1338-9	1314.5-5.5		1338-8.5		
3 months	1359-60	1336-7	1370/1338	1358-9	1356-7	62,440 lots

LME Closing £/$ rate:
SPOT: 1.9365 3 months: 1.9059 6 months: 1.9042 9 months: 1.8751

LONDON BULLION MARKET (Prices supplied by N M Rothschild)		
Gold (troy oz)	$ price	£ equivalent
Close	352.40-352.70	
Opening	353.50-353.80	
Morning fix	353.15	183.741
Afternoon fix	353.00	182.523
Day's high	353.60-353.90	
Day's low	352.40-352.70	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.96	6 months	2.93
2 months	2.92	12 months	3.00
3 months	2.90		

Silver fix	p/troy oz	US cts equiv
Spot	204.90	393.75
3 months	210.05	396.90
6 months	215.25	400.50
12 months	225.55	408.50

GOLD COINS	$ price	£ equivalent
Krugerrand	353.00-355.00	183.00-186.00
Maple leaf	363.30-365.60	-
New Sovereign	*85.00-87.00*	*44.00-46.00*

TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Dec	Sep	Dec
1250	74	104	6	15
1300	39	70	21	30
1350	16	44	48	53
Copper (Grade A)	Calls		Puts	
2550	66	72	39	96
2600	42	53	63	126
2650	24	37	95	160
Coffee	Sep	Nov	Sep	Nov
600	181	184		1
650	131	138		5
700	84	96	3	13
Cocoa	Sep	Dec	Sep	Dec
600	12	40	28	27
625	6	28	47	40
650	3	20	69	57
Brent Crude	Sep	Oct	Sep	Oct
2000			28	48
2050		53	53	
2100	20	35		

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Jul	*352.6*	*354.0*	*352.9*	*352.9*
Aug	353.2	354.7	354.7	353.0
Sep	354.0	355.5	0	0
Oct	354.9	356.4	356.0	354.8
Dec	356.7	358.3	358.3	356.5
Feb	358.6	360.2	359.6	358.5
Apr	360.4	362.0	361.6	360.4
Jun	362.3	363.9	0	0
Aug	364.4	366.0	0	0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Jul	383.5	390.5	386.0	385.0
Oct	383.5	389.8	396.0	381.5
Jan	380.5	388.8	383.0	381.0
Apr	380.0	386.8	381.5	380.0
Jul	379.7	386.5	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Jul	390.8	394.0	392.5	392.0
Aug	391.8	395.0	0	0
Sep	392.8	396.0	394.5	392.5
Dec	396.8	400.0	398.5	398.5
Jan	398.3	401.5	0	0
Mar	401.2	404.4	403.0	401.6
May	404.1	407.3	405.0	404.5
Jul	406.9	410.1	409.0	407.5
Sep	409.8	413.0	410.0	410.0
Dec	414.7	417.9	416.5	416.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	116.15	115.75	116.70	114.85
Aug	116.35	115.80	115.40	114.65
Sep	116.35	115.80	117.10	114.60
Oct	115.75	115.05	0	0
Nov	115.45	114.75	114.45	114.45
Dec	115.15	114.35	115.80	113.65
Jan	114.50	113.70	0	0
Feb	113.85	113.10	0	0
Mar	113.25	112.35	113.70	112.35
Apr	112.60	111.70	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	10.06	9.65	10.07	9.67
Mar	9.70	9.41	9.70	9.46
May	9.61	9.34	9.62	9.40
Jul	9.54	9.29	9.56	9.39
Oct	9.44	9.20	9.44	9.36

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Aug	21.76	21.71	21.80	21.65
Sep	21.66	21.60	21.70	21.55
Oct	21.60	21.54	21.63	21.51
Nov	21.52	21.48	21.58	21.46
Dec	21.44	21.41	21.53	21.40
Jan	21.36	21.32	21.40	21.33
Feb	21.24	21.22	21.30	21.21
Mar	21.12	21.10	21.11	21.10
Apr	21.04	20.99	21.00	21.00
May	20.95	20.90	20.95	20.95

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Aug	6025	6034	6065	5990
Sep	6115	6126	6140	6090
Oct	6220	6221	6235	6195
Nov	6315	6316	6330	6290
Dec	6395	6396	6415	6380
Jan	6415	6421	6430	6410
Feb	6320	6321	6330	6315
Mar	6090	6086	6090	6080
Apr	5890	5866	0	0
May	5675	5706	5680	5680

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Jul	942	954	0	0
Sep	982	998	995	977
Dec	1039	1055	1053	1036
Mar	1086	1101	1096	1085
May	1119	1131	1120	1116
Jul	1147	1158	0	0
Sep	1175	1185	0	0
Dec	1216	1226	0	0
Mar	1254	1264	0	0
May	1283	1293	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	60.65	59.30	60.10	59.50
Sep	62.50	61.50	62.50	61.25
Dec	64.80	63.75	64.80	63.65
Mar	67.60	66.25	67.60	66.60
May	71.40	70.30	71.40	71.20
Jul	73.40	72.45	73.36	73.10
Sep	75.35	74.30	0	0
Dec	78.25	77.15	0	0

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Oct	63.33	63.60	63.90	63.20
Dec	62.15	62.57	62.80	62.12
Mar	63.20	63.65	63.70	63.20
May	64.02	64.40	64.40	64.01
Jul	64.57	64.77	64.65	64.55
Oct	63.37	63.30	63.35	63.35
Dec	63.26	63.26	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	121.50	123.50	123.90	122.00
Sep	118.65	120.70	120.50	118.80
Nov	113.25	114.80	114.85	113.26
Jan	113.25	114.50	113.85	112.55
Mar	112.60	114.50	114.05	112.60
May	113.05	114.50	114.00	113.50
Jul	112.55	114.00	0	0
Sep	112.75	114.00	114.00	114.00

INDICES			
REUTERS (Base: September 18 1931 = 100)			
Jul 16	Jul 15	mnth ago	yr ago
1559.4	1558.9	1592.3	1706.6

DOW JONES (Base: Dec. 31 1974 = 100)				
	Jul 15	Jul 14	mnth ago	yr ago
Spot	117.73	117.61	119.18	125.75
Futures	119.46	119.13	120.12	123.79

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Jul	562/4	566/6	567/0	561/0
Aug	564/0	569/0	570/0	563/0
Sep	565/4	571/2	572/0	564/4
Nov	569/2	575/6	576/0	568/4
Jan	577/2	583/6	583/6	576/2
Mar	585/4	591/2	592/0	585/0
May	593/2	598/6	598/6	593/0
Jul	597/2	602/6	603/0	596/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Jul	19.08	19.34	19.35	19.05
Aug	19.13	19.37	19.44	19.09
Sep	19.30	19.55	19.60	19.26
Oct	19.46	19.72	19.75	19.42
Dec	19.78	20.02	20.07	19.73
Jan	19.91	20.19	20.25	19.91
Mar	20.20	20.46	20.50	20.20
May	20.50	20.75	20.80	20.50

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Jul	173.5	174.6	174.6	173.5
Aug	174.4	175.3	175.5	174.3
Sep	175.7	176.4	176.8	175.5
Oct	193.8	194.4	195.2	193.5
Dec	192.7	193.7	194.2	192.6
Jan	191.8	193.1	193.3	191.5
Mar	190.9	191.8	192.4	190.8
May	190.5	191.0	191.3	190.4

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Jul	228/4	231/0	231/0	228/0
Sep	230/6	232/2	233/0	230/2
Dec	234/2	235/4	236/6	234/0
Mar	242/6	244/0	244/4	242/2
May	247/6	249/4	249/4	247/2
Jul	251/6	253/2	253/2	251/2
Sep	250/0	252/0	251/6	250/0
Dec	250/2	251/4	251/4	250/0

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Jul	345/6	349/0	350/4	345/0
Sep	343/0	348/4	347/6	342/4
Dec	351/6	355/4	356/0	351/2
Mar	353/4	357/0	357/4	352/6
May	344/4	347/0	346/0	344/0
Jul	324/0	329/4	329/6	323/0
Sep	329/0	332/0	0	0
Dec	337/0	340/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Aug	73.675	73.800	73.975	73.525
Oct	73.625	73.600	73.750	73.275
Dec	71.850	71.625	71.925	71.500
Feb	70.800	70.700	70.950	70.650
Apr	72.075	72.075	72.150	71.925
Jun	69.250	69.250	69.300	69.250
Aug	68.100	68.125	68.300	68.100

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Jul	45.325	44.900	45.350	44.800
Aug	43.625	43.025	43.650	42.875
Oct	38.825	38.575	38.950	38.500
Dec	39.600	39.475	39.800	39.350
Feb	40.450	40.200	40.550	40.000
Apr	39.350	39.175	39.350	38.850
Jun	45.100	44.850	45.100	44.800
Aug	43.200	43.025	43.300	43.150

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Jul	31.425	30.350	31.600	30.025
Aug	28.450	27.300	28.550	27.225
Feb	38.175	36.425	38.400	36.350
Mar	37.700	36.050	37.700	36.100
May	38.550	37.250	38.700	37.300
Jul	38.400	36.900	38.400	37.600

LONDON STOCK EXCHANGE

Gains lost after Bundesbank news

By Terry Byland,
UK Stock Market Editor

THE UK stock market reacted with guarded relief yesterday to the increase in German discount rate to a record 8.75 per cent, thankful that the key Lombard rate had been left unchanged and that the UK Treasury had reiterated commitment to sterling's entry into the narrow bands of Europe's exchange rate mechanism in due course. However, UK shares closed lower after abandoning a sharp rise achieved in early trading.

Equity strategists see narrow band entry as the best hope for reducing UK base rates before the end of the year. Ahead of the announcement from the Bundesbank, UK equities had risen steadily in moderate trading, climbing 20 points on the Footsie scale to clear the 2,507 mark in a favourable response to the latest data on the domestic economy. Unemployment figures for June, with the seasonally adjusted increase of 7,000 barely one third of market expectations, were regarded as a sign that the domestic economy is rallying. May's average earnings gain of 6.5 per cent, below City estimates, suggested some easing of inflationary pressure.

London equities responded positively as the first news on German rates flashed across the trading screens, and the focus on the discount rate, together with the rise in the sterling/Mark rate, soothed fears that UK rates might be forced higher. But share buyers backed off as the foreign exchange markets digested news of higher rates elsewhere in Europe and shares began to fall back.

Account Dealing Dates		
*First Dealings:		
Jun 29	Jul 13	Jul 27
Option Declarations:		
Jul 9	Jul 23	Aug 6
Last Dealings:		
Jul 10	Jul 24	Aug 7
Account Day:		
Jul 20	Aug 3	Aug 17

*New time dealings may take place from 8.30 am two business days earlier.

The twenty point gain on the Footsie was translated into an eight point loss. However, investor-based selling was moderate and the increased Seaq volume total of 525.5m shares represented hasty reshuffling by the marketmakers; on Wednesday, Seaq voilume of 831m shares represented customer or retail business wortth £831m. At least two trading programmes, weighted towards the sell side, were identified yesterday, and there was a fall in the Footsie futures contract.

By the close, the FT-SE Index had rallied comfortably and the final reading of 2,483.4 showed a loss of only three points on the day – no great reaction, in view of London's evident apprehension ahead of Bundesbank's rate decision.

The weakening US dollar restrained most of the overseas earnings stocks, but ICI, a beneficiary of a firm D-Mark, enjoyed a successful trading session. There was a handful of casualties in the building sector where several UK firms have extensive exposure in Germany.

But across the broader range London share prices were content to follow the modest downward move in the other European bourses. Mr Ian Harnett, strategist at Strauss Turnbull, the London securities arm of SociétéGénérale, said the outcome of the Bundesbank's deliberations was "positive for London"; Strauss is holding its year-end forecast for the FT-SE Index at 2,800.

However, London strategists still see the economy vulnerable to a rise in base rates until at least the end of the year, with economic recovery evidently arriving even more slowly than expected.

FINANCIAL TIMES STOCK INDICES

	July 16	July 15	July 14	July 13	July 10	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	89.58	89.54	89.60	89.45	89.66	85.00	99.75 (3/7)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	106.24	106.22	106.25	106.19	106.22	94.52	106.35 (6/7)	97.15 (2/1)	106.35 (6/7/92)	50.53 (3/1/75)
Ordinary Share●	1890.8	1896.2	1897.4	1893.3	1903.7	1969.0	2149.7 (22/5)	1851.4 (3/4)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	92.5	88.2	85.7	85.3	84.0	212.6	160.6 (10/1)	83.6 (8/7)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2483.4	2486.4	2484.0	2478.3	2490.8	2547.3	2737.8 (11/5)	2382.7 (3/4)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1151.06	1152.00	1149.98	1149.14	1158.17	1162.86	1248.79 (11/5)	1120.52 (8/1)	1248.79 (11/5/92)	938.62 (16/1/91)
●Ord. Div. Yield	4.83	4.89	4.88	4.90	4.78	4.81				
●Earning Yld %(full)	7.04	7.04	7.03	7.06	6.97	8.44				
●P/E Ratio(Net)(*)	17.90	17.90	17.90	17.85	18.00	14.56				
SEAQ Bargns 5.00pm	19,491	19,206	18,258	18,487	24,968	25,828				
Equity Turnover(£m)†	-	831.0	854.3	883.6	982.8	680.93				
Equity Bargains†	-	22,228	21,121	23,693	26,820	27,086				
Shares Traded (ml)†	-	357.8	356.4	373.7	413.5	408.1				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. * Nil 16.65

Ordinary Share Index, Hourly changes — Day's High 1909.1 — Day's Low 1887.1

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1894.2	1898.5	1903.4	1906.8	1907.9	1908.9	1897.7	1887.8	1887.8

FT-SE 100, Hourly changes — Day's High 2507.1 — Day's Low 2478.4

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2483.8	2490.6	2494.7	2502.3	2505.1	2506.9	2490.8	2478.6	2479.5

FT-SE Eurotrack 200, Hourly changes — Day's High 1163.43 — Day's Low 1148.06

Open	10.30 am	11 am	12 pm	1 pm	2 pm	3 pm
1154.63	1156.27	1157.11	1159.84	1161.90	1152.41	1149.11

GILT EDGED ACTIVITY

Indices*	July 15	July 14
Gilt Edged Bargains	91.6	88.9
5 – Day average	86.2	86.6

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share Index: Tel 0891 123001 Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

German move hits builders

THE BUILDING sectors of the stock market suffered another severe shakeout on news of the rise in Germany's discount rate, and its implications for the rest of Europe.

The Bundesbank's move was seen as increasing the agony for a sector already suffering from the effect of prolonged high interest rates, falling house prices and general economic recession.

Redland and RMC, the two building materials groups viewed by the market as having the widest exposure to the German market, and especially to the hoped-for rebuilding programme in east Germany, were given the roughest ride, with Redland sliding 19 to 445p and RMC 8 to 518p.

Pilkington weak

Glass manufacturer Pilkington was another to suffer in the materials sector, after the latest in a series of profits downgrades hit the shares. Analysts have moved estimates for the current-year profits to £70m from £100m after talks with the company.

Yesterday, another UK broking house was said to have *chopped its estimate for this* year to £50m and forecast a halved dividend. The shares, which topped 330p in the summer of 1987, dropped like a stone to close 11 lower at 96p on heavy turnover of 6.2m.

GUS strong

Solid full-year results from Great Universal Stores sent the shares ahead in busy turnover of 1.2m. The performance of the retail arm was particularly impressive, with the Burberry division recovering well. Mr Ian McDougall at Nomura said: "This is GUS reminding the market of what it can do." The "A" shares, ahead 74 at one stage, closed at 1448p, a rise of 43p on the day.

Analysts lifted profits forecasts for 1993 to a range of £454m to £470m. County NatWest's Mr John Richards, at the bottom of the range, cautioned that GUS had run into flat trading conditions, as had all the high street retailers, and remained on a "hold" stance for the stock.

Vague hints that one small building or property group was about to go out of business caused another bout of selling. Many housebuilders were under considerable pressure, with Anglia Secure Homes, the sheltered homes group whose shares almost halved on Wednesday, plunging 3 more to 3½p. McCarthy & Stone, another sheltered homes company, dipped 3 to 36p.

Wilson Bowden lost 16 to 340p, Persimmon 12 to 225p and Barratt Homes 4 to 56p. Taylor Woodrow, still suffering from recent downgrades, dipped 4 to 66p.

Support from a buy note was not strong enough to lift BAT Industries significantly. The tobacco and financial services conglomerate was up 13 in the morning after consideration of a recommendation by Kleinwort Benson. The house cut its estimate for full-year profits because of the slide in the dollar but believes the stock offers dividend growth, security and improved earnings. The rate news from Germany prompted the shares to slip back and close only 4 up at 774p.

An announcement by medical charity Wellcome Trust that part of its forthcoming 330m-share issue in Wellcome would be in the form of a share swap gave an initial boost to the Wellcome share price.

The issue is expected to raise around £2.8bn, which Wellcome Trust has said will be ploughed back into the market in order to diversify equity. BZW Investment Management is to manage a fund worth in excess of £500m which will in effect be created by institutions offloading blue chip stocks in exchange for Wellcome shares. The stock was up 5 before the announcement of the rise in German discount rate. Then, it fell to close a net penny off at 877p.

Good support from one influential UK broking house drove Guardian Royal up 7 to 144p on heavy turnover of 5m. Legal & General advanced 11 to 365p after announcing a change in accounting policy.

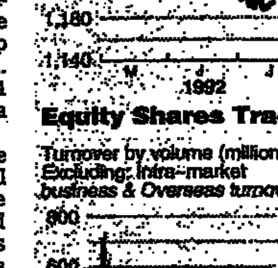
Lasmo remained under the lash in an othwerwise calm oil sector, as worries about the recent falls in oil prices and the dollar compounded fears about the dividend. Specialists said they expected the group to pay the interim but the final was under scrutiny. Lasmo's interim results are expected on July 29. The shares dropped 12 to 144p and some dealers fear they may test the 100p mark last seen in 1986.

Positive recommendations from UBS Phillips & Drew and County NatWest helped British Land gain 5 to 193p on 1.5m shares traded.

A stock overhang and currency considerations depressed Grand Metropolitan, the shares falling 11 to 457p.

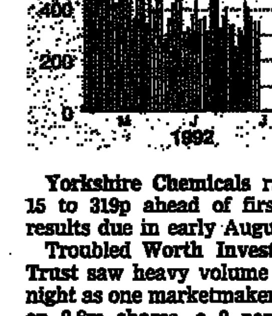
ICI, which reacts to strength in the D-Mark, gained 16 to 1168p. The shares also continued to benefit from a positive approach from one agency broker. British Vita, also exposed to Germany, firmed 4 to 254p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: intra-market business & Overseas turnover



Yorkshire Chemicals rallied 15 to 319p ahead of first-half results due in early August.

Troubled Worth Investment Trust saw heavy volume overnight as one marketmaker took on 2.8m shares, a 9 per cent stake, at 14¼p and placed the majority at 14½p in two blocks. The share price remained unchanged at 15p.

Disappointing figures from package holiday group Owners Abroad were compounded by admissions of discounting by the company management, indicating that the much-touted industry price war might be taking its toll. The shares retreated heavily but recovered to close only 2 off at 64p. Rival operator Airtours tumbled 10 to 205p.

Heavy trade in Forte saw nearly 6m dealt and the stock eased a penny to 162p. Rank Organisation, having fallen more than 20 per cent in the past six weeks after a series of downgrades, rallied 13 to 607p.

Textiles and specialist castings manufacturer Hicking Pentecost jumped 11 to 130p after a bullish agm.

Associated British Ports tumbled 26 to 320p after the company warned that it expects to make provisions of about £10m against the value of its property development portfolio.

The slide in Alexander Proudfoot continued. At the day's worst, the stock was down 27 following an agency cross of 600,000 shares at 150p. Buying from two company directors helped to stabilise the shares, which were eventually a net 22 off at 172p.

A profits upgrade boosted Siebe, which finished 14 to the good at 680p.

MARKET REPORTERS:
Peter John, Joel Kibazo, Christopher Price, Steve Thompson.

■ Other market statistics, Page 21

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	73	475	
ASDA Group	13,000	22	
Abbey National	5,100	288	-1
Albert Fisher	4,200	39	
Allied–Lyons	2,700	629	-14
Amstrad	967	32	
Anglian Water	1,000	415	+4
Argos	1,000	223	-2
Argyll Group	2,700	363	+4
Arjo Wiggins	761	222	-2
Ass. Brit. Foods	818	434	-1
Ass. Brit. Ports	2,800	320	-26
BAA	453	658	+2
BAT Inds.	2,800	774	+4
BET	974	123	+3
BICC	1,000	304	+1
BOC	847	653	+14
BP	7,600	207	-3½
BPB Inds.	5,900	140	-3
BT	3,000	354	-1½
BT New	2,200	208	-1
BTR	5,100	445	+1
Bank of Scotland	1,600	109	
Barclays	6,800	337	-2
Bass	752	889	+1
Beresford Int.	0	15½	
Blue Circle	4,900	196	-10
Booker	811	422	-1
Boots	2,100	430	+5
Bowater	972	768	-3
Brit. Aerospace	648	256	
British Airways	4,100	270	-3
British Gas	5,700	247	-1
British Land	1,500	193	+5
British Steel	7,700	59½	+1½
Bunzl	1,700	94	+2
Burmah Castrol	742	568	+2
Burton	2,900	41½	-½
Cable & Wire.	2,200	545	+2
Cadbury Schweppes	2,600	431	-1
Calor Group	367	189	+1
Carlton Comms.	705	614	-1
Coats Viyella	2,100	186	-3
Comm. Union	382	453	-3
Cookson	2,300	146	-1
Courtaulds	794	499	-1
Dalgety	713	408	-1
De La Rue	464	570	+11
Dixons	4,300	199	-5
Eastern Elect.	562	282	+7
East Midland Elect.	2,100	296	+3
Eng China Clays	2,100	506	-3
Enterprise Oil	231	358	-9
Eurotunnel Units	487	330	-3
FKI	1,500	77	+1
Fisons	1,300	270	-5
Forte	5,800	162	-1
Gen. Accident	671	415	+1
General Elect.	6,100	218½	-3
Glaxo	4,800	689	-1
Glynwed Int.	338	215	-4
Granada	1,200	252	
Grand Met.	7,700	457	-11
GUS A	1,200	1448	+43
GRE	5,000	144	+7
GKN	1,300	383	+7
Guinness	1,600	568	+10
HSBC (75p shs)	5,800	344	-2½
Hammerson 'A'	339	318	-5
Hanson	6,500	205½	-1
Hanson Warrants	230	22	
Harrisons Crosfield	3,200	129	+1
Hillsdown	2,300	131	-1
IMI	707	255	-1
ICI	769	1168	+16
Inchcape	1,600	487	+6
Kingfisher	1,600	447	-3
Kwik Save	728	689	+7
Ladbroke	1,600	185	-4
Land Securities	181	531	+1
Laporte	486	568	+5
Legal & General	1,600	365	+11
Lloyds Abbey	253	377	-8
Lloyds Bank	2,700	433	+1½
LASMO	3,300	144	-12
London Elect.	2,400	301	-8
Lonrho	6,400	85	+6
Lucas	1,200	119	+2
MB Caradon	720	246	-5
MEPC	658	295	+2
Marley	558	362	-8
Marks & Spencer	1,700	337	+3
Midlands Elect.	339	311	+3
NFC	822	252	
NatWest Bank	3,500	324	-5
National Power	4,100	255	-3½
Next	2,500	89½	
North West Water	413	422	+2
Northern Elect.	1,100	382	+7
Northern Foods	716	621	-4
Norweb	1,100	415	+8
Pearson	685	351	-2
P & O	1,600	384	-3
Pilkington	6,300	96	-11
PowerGen	2,800	266	+2
Prudential	5,600	252	+3
RHM	1,700	331	+1
RMC	719	518	-8
RTZ	2,700	559	+12
Racal	9,000	68¼	
Rank Org.	1,200	607	+13
Reckitt & Colman	118	620	+4
Redland	2,500	445	-19
Reed Intl	1,000	520	+1
Rentokil	644	153	-4
Reuters	510	1185	+16
Rolls Royce	5,600	151½	+4½
Rothmans	322	1090	-11
Ryl Bk Scotland	375	181	-2
Royal Insurance	1,500	200	-3
Saatchi	298	127	
Sainsbury	1,100	455	-4
Scottish & New.	1,400	449	+6
Scot. Hydro - Elect.	1,100	302½	+3
Scottish Power	4,800	163½	+2½
Sears	8,000	92	-2
Sedgwick	40	178	+3
Seeboard	559	322	+7
Severn Trent Water	453	425	+1
Shell Transport	2,600	481	-4
Siebe	467	680	+12
Slough Ests	1,600	134	-2
Smith (W H) A	1,400	467	+3
Smith & Nephew	1,700	144¼	
SmithKline Beecham	1,700	444	+4
SmKl Beecham Uts.	1,300	395	
Smiths Inds	625	278	-1
Southern Elect.	1,300	302	+9
South Wales Elect.	345	364	+6
South West Water	493	424	+8
South West Elect.	454	314	+3
Southern Water	331	400	+4
Standard Chartd	1,500	446	+11
Storehouse	648	128	-2
Sun Alliance	1,200	270	+1
T&N	1,800	157	+4
TI Group	1,900	323	-3
TSB	2,300	138	-1
Tarmac	5,600	81	-4
Tate & Lyle	757	256	-7
Taylor Woodrow	953	66	-4
Tesco	2,300	253	-2
Thames Water	693	430	+2
Thorn EMI	1,300	784	+1
Tomkins	982	478	+1
Trafalgar House	2,200	85	-2½
Unigate	635	302	-1
Unilever	1,400	957	+11
United Biscuits	1,000	340	-7
Utd Newspapers	638	410	-2
Vodafone	3,200	316	+5
Warburg (SG)	1,200	475	+2
Wellcome	793	877	-1
Welsh Water	89	456	
Wessex Water	87	495	+2
Whitbread 'A'	1,600	432	-8
Williams Hldgs	1,600	278	-5
Willis Corroon	105	213	-1
Wimpey	669	125	
Wolseley	777	344	-9
Yorkshire Elect	462	351	-2
Yorkshire Water	176	455	

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

NEWS OF the increase in German discount rate led to a sharp retreat in stock index futures after a strong performance early in the session, writes Joel Kibazo.

Speculation that there would be no rise in German interest rates, coupled with favourable corporate news, brought a firm opening in the September contract at 2,504.

It continued to move forward for the rest of the morning session, unaffected by the release of economic data at 11.30am, and pulled the underlying cash market higher. By 1pm the contract was trading at 2,537.

The lunchtime news from the Bundesbank disappointed the market, leading to a sharp fall in the contract to 2,489 by 2.30pm. Bargain hunters towards the end of the session, however, helped September rally from the day's low and it closed at 2,506, up 2 from its previous close and around 5 points above its estimated fair value premium to cash of about 18. Turnover, at 10,066 contracts, was an improvement on recent levels.

In traded options, volume soared to 41,528 contracts, with the FT-SE option recording a total of 16,628 trades ahead of today's expiry. Asda was the busiest stock option with 5,027 lots transacted.

FT-ACTUARIES SHARE INDICES

	EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section	Thursday July 16 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Wed Jul 15 Index No.	Tue Jul 14 Index No.	Mon Jul 13 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (177)	776.96	-0.4	7.60	5.78	16.80	20.19	780.26	779.77	783.42	815.11
2	Building Materials (22)	824.14	-3.2	6.58	6.80	20.64	25.58	851.76	862.90	874.81	1035.04
3	Contracting, Construction (28)	716.87	-1.7	4.85	8.34	45.25	25.20	729.46	732.96	752.47	1146.57
4	Electricals (9)	2404.43	-0.5	7.19	6.28	18.00	68.82	2417.32	2364.26	2360.78	2387.22
5	Electronics (28)	1898.15	-0.5	8.50	4.58	14.68	44.82	1908.26	1921.35	1921.73	1696.71
6	Engineering-Aerospace (6)	333.69	+1.1	10.92	7.81	11.59	11.27	330.17	326.95	326.19	412.43
7	Engineering-General (43)	484.67	-0.1	8.50	4.97	14.57	11.44	485.00	478.35	479.44	440.47
8	Metals and Metal Forming (8)	301.23	+0.8	5.67	7.33	25.73	6.92	298.97	298.68	298.04	438.27
9	Motors (14)	345.16	+1.0	7.69	6.82	17.10	10.04	341.88	337.78	342.26	319.45
10	Other Industrial Materials (19)	1664.47	+0.5	7.45	4.99	16.16	36.53	1655.70	1654.06	1654.52	1556.79
21	CONSUMER GROUP (188)	1581.30	......	7.69	3.62	15.96	24.61	1581.26	1581.66	1580.05	1491.38
22	Brewers and Distillers (24)	2066.65	-0.4	8.01	3.54	15.06	29.60	2074.37	2078.41	2070.01	1824.14
25	Food Manufacturing (19)	1241.05	......	8.69	4.26	14.23	26.01	1241.64	1237.38	1233.37	1170.20
26	Food Retailing (18)	2803.79	-0.1	8.70	3.25	14.98	44.70	2807.81	2790.92	2764.91	2738.66
27	Health and Household (24)	3772.56	......	7.31	2.81	15.59	37.92	3772.34	3799.09	3805.32	3624.89
29	Hotels and Leisure (18)	1168.66	-0.2	6.87	5.85	18.92	23.64	1170.90	1180.93	1191.81	1224.12
30	Media (26)	1522.28	+0.2	6.38	3.44	19.40	27.19	1519.38	1519.35	1506.63	1402.20
31	Packaging, Paper & Printing (17)	761.41	+0.2	6.77	4.34	17.90	14.76	759.62	755.88	758.81	724.76
34	Stores (33)	984.24	+0.7	7.66	3.78	17.25	16.96	977.41	969.86	975.34	931.95
35	Textiles (9)	654.28	-0.8	7.18	4.74	17.54	14.72	659.59	655.14	653.08	554.72
40	OTHER GROUPS (118)	1255.39	+0.3	9.92	5.25	12.58	25.61	1252.15	1248.86	1243.34	1231.78
41	Business Services (17)	1364.57	+0.2	6.23	3.77	19.57	20.78	1362.43	1359.03	1355.64	1276.53
42	Chemicals (22)	1398.39	+1.1	7.54	5.20	16.25	33.10	1382.49	1374.88	1381.02	1402.32
43	Conglomerates (11)	1237.21	+0.1	10.07	7.61	12.46	23.62	1236.13	1237.26	1219.06	1432.68
44	Transport (14)	2390.85	-0.9	8.26	4.93	14.94	54.40	2411.56	2414.93	2425.04	2157.35
45	Electricity (16)	1354.01	+1.0	14.58	5.42	8.68	38.33	1341.11	1325.53	1312.20	1202.56
46	Telephone Networks (4)	1423.15	-0.1	10.94	4.64	11.92	21.77	1424.09	1420.20	1408.44	1462.59
47	Water (11)	2840.97	+0.5	15.79	6.09	7.01	86.85	2825.99	2811.95	2808.48	2371.93
48	Miscellaneous (23)	2038.10	+0.1	5.52	4.83	23.85	29.19	2035.70	2044.95	2041.87	1985.47
49	INDUSTRIAL GROUP (483)	1276.93	......	8.40	4.53	14.80	24.22	1276.81	1275.75	1274.35	1243.63
51	Oil & Gas (17)	1903.54	-1.1	7.95	7.47	16.53	63.73	1925.33	1917.15	1906.98	2500.72
59	500 SHARE INDEX (500)	1338.32	-0.1	8.35	4.82	14.96	27.32	1339.71	1338.14	1336.12	1349.19
61	FINANCIAL GROUP (85)	721.71	+0.1	–	6.25	–	20.06	721.12	717.01	717.60	792.58
62	Banks (9)	956.56	-0.4	6.90	5.72	20.57	24.58	960.62	954.28	958.48	915.58
65	Insurance (Life) (6)	1512.50	+1.4	–	5.89	–	44.26	1492.00	1494.46	1489.61	1478.66
66	Insurance (Composite) (7)	480.84	+0.5	–	7.24	–	13.46	478.23	475.86	474.85	650.46
67	Insurance (Brokers) (10)	797.81	+0.4	9.72	8.14	13.54	30.14	794.94	785.46	783.64	1164.36
68	Merchant Banks (7)	450.71	+0.3	–	4.79	–	11.25	449.59	441.88	443.14	424.18
69	Property (31)	589.65	+0.4	9.87	7.77	13.70	19.44	587.08	585.09	580.16	888.00
70	Other Financial (15)	241.97	......	7.50	7.24	18.05	6.63	242.02	240.44	240.30	258.43
71	Investment Trusts (70)	1141.12	+0.4	–	3.93	–	19.26	1136.91	1133.73	1134.51	1207.29
99	ALL-SHARE INDEX (655)	1190.55	-0.1	–	4.98	–	25.23	1191.36	1189.23	1187.85	1214.62

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jul 15	Jul 14	Jul 13	Jul 10	Jul 9	Year ago
FT-SE 100 SHARE INDEX♦	2483.4	-3.0	2507.1	2478.4	2486.4	2484.0	2478.3	2490.8	2497.9	2547.3

FIXED INTEREST

	PRICE INDICES	Thu Jul 16	Day's change %	Wed Jul 15	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (24)	121.67	+0.03	121.89	1.36	7.50
2	5-15 years (24)	139.83	+0.04	139.77	2.79	6.89
3	Over 15 years (11)	151.33	......	151.32	1.67	6.80
4	Irredeemables (6)	169.93	+0.04	169.86	1.85	7.34
5	All stocks (65)	136.64	+0.03	136.68	2.18	7.24
	Index-Linked					
6	Up to 5 years (2)	173.51	-0.02	173.54	1.10	1.83
7	Over 5 years (10)	152.19	-0.09	152.32	0.66	2.74
8	All stocks (12)	153.94	-0.08	154.06	0.71	2.60
9	Debs & Loans (62)	122.68	+0.14	122.50	2.55	6.21

	AVERAGE GROSS REDEMPTION YIELDS		Thu Jul 16	Wed Jul 15	Year ago (approx.)
	British Government				
1	Low	5 years	8.24	8.24	9.07
2	Coupons	15 years	8.68	8.68	9.84
3	(0%-7¾%)	20 years	8.68	8.68	9.84
4	Medium	5 years	9.16	9.17	10.24
5	Coupons	15 years	8.92	8.92	10.03
6	(8%-10¾%)	20 years	8.88	8.87	9.96
7	High	5 years	9.39	9.39	10.42
8	Coupons	15 years	9.05	9.06	10.16
9	(11%-)	20 years	8.97	8.98	10.06
10	Irredeemables	†	8.97	8.97	10.04
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.03	4.01	4.41
12	Inflation rate 5%	Over 5 yrs.	4.36	4.35	4.34
13	Inflation rate 10%	Up to 5 yrs.	3.24	3.22	3.41
14	Inflation rate 10%	Over 5 yrs.	4.17	4.16	4.14
15	Debs &	5 years	10.42	10.43	11.91
16	Loans	15 years	10.17	10.19	11.70
17		25 years	10.05	10.06	11.49

♦Opening index 2483.8; 9 am 2490.6; 10 am 2494.7; 11 am 2502.3; Noon 2505.1; 1 pm 2506.9; 2 pm 2490.8; 2.30 pm 2478.6; 3 pm 2478.6; 4.10 pm 2483.4; (a) 12.32pm (b) 2.32pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2323.

NEW HIGHS AND LOWS FOR 1992

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
Exch 12¾pc 1992		100⅛	—	101¼	100⅛	12.22	9.87
13½pc 1992		100⅜	—	102⅛	100⅛	13.42	9.83
Treas 8¼pc 1993		99⅜xd	—	99⅝	97¾	8.31	9.49
10pc 1993‡‡		100⅞	—	100½	99½	9.98	9.69
12½pc 1993‡‡		102¾	—	103¾	101¾	12.18	9.62
Funding 6pc 1993‡‡		97⅛	—	97¾	95⅛	6.18	8.81
Treas 13¾pc 1993‡‡		105⅜	—	108⅜	104⅝	13.06	9.61
8½pc 1994		98¾xd	—	99⅜	96⅞	8.61	9.35
14½pc 1994‡‡		107⅛	—	109⅛	106¾	13.53	9.57
Exch 13½pc 1994		106⅞	-⅛	107¾	105⅜	12.70	9.46
Treas. 10pc Ln. 1994‡‡		101	—	101⅝	98¾	9.90	9.35
Exch 12½pc 1994		105⅝xd	—	106⅞	103¾	11.89	9.45
Treas 9pc 1994‡‡		98¾	—	98¾	95⅝	9.08	9.28
12pc 1995		105¾xd	—	106¾	103⅝	11.35	9.36
Exch 3pc Gas 90-95		93⅛	—	94¾	88¼	3.21	5.50
10¼pc 1995		102⅝	—	103⅛	99⅞	10.01	9.30
Treas 12¾pc 1995‡‡		109⅝	—	110¾	106⅝	11.63	9.28
14pc 1996		113⅞	—	114⅜	110⅜	12.37	9.48
9pc 1992-96‡‡		98⅞	+⅛	100⅞	96⅞	9.04	9.12
15¼pc 1996‡‡		118⅛	—	119⅞	114¾	12.92	9.43
Exch 13¼pc 1996‡‡		111⅝	—	112⅞	108½	11.84	9.43
Conversion 10pc 1996		102¾	—	103⅛	98¾	9.74	9.20
Treas 13¼pc 1997‡‡		113⅞	—	114¾	110⅝	11.64	9.38
Exch 10½pc 1997		104¼xd	—	105¾	100¾	10.02	9.18
Five to Fifteen Years							
Treas 8¾pc 1997‡‡		98½	—	99⅛	94	8.88	9.09
8¾pc 1997 D		98½	—	99⅛	96⅜	8.89	9.10
Exch 15pc 1997		122¾	—	123¾	118⅜	12.25	9.47
9¾pc 1998		102¾	+⅛	103⅜	97¾	9.51	9.13
Treas 6¾pc 1995-98‡‡		92¼	—	93⅜	86¾	7.32	8.44
15½pc '98‡‡		128⅛	-⅛	129⅜	123⅜	12.10	9.37
Exch 12pc 1998		112¾	-⅛	113¾	107¾	10.64	9.24
Treas 9½pc 1999‡‡		102¾	+⅛	103⅜	97⅜	9.23	8.86
Exch 12¼pc 1999		114⅞	—	115⅞	109½	10.69	9.24
Treas 10½pc 1999		108¾	-⅛	107¾	101¾	9.83	9.08
Conversion 10¼pc 1999		105¾	—	106¾	100¾	9.68	9.09
9pc 2000‡‡		100½	+⅛	100¾	94⅝	8.98	8.94
9% 2000 C		100⅜	+⅛	100¾	96¾	9.04	8.94
Treas 13pc 2000		120¼	+⅛	121¼	114¾	10.81	9.31
10pc 2001		105⅞	+⅛	108¼	99¾	9.49	9.05
14pc '98-01		120	-⅛	121	115¾	11.67	9.43
9¾pc 2002		104⅜	+⅛	105⅛	98⅞	9.32	9.02
9¾p 2002 C		104⅜	+⅛	105⅜	99⅜	9.33	9.02
10pc 2003		106¾	—	107⅜	100⅜	9.37	9.00
10pc 2003 B		106¾	—	107⅝	105⅛	9.37	9.01
Treas 11½pc 2001-04		112¾	+⅛	113¾	107⅛	10.18	9.26
Funding 3½pc '99-04		68⅜	-⅛	68¾	59½	5.12	7.53
Conversion 9½pc 2004		103⅞	—	104¾	96¾	9.15	8.93
9½pc 2005		104	—	104¾	96¾	9.13	8.93
Treas 12½pc 2003-05		123⅜	—	124⅝	116⅜	10.19	9.13
8pc 2002-06‡‡		92¼	-⅛	93	85½	8.67	8.95
Treas 11¾pc 2003-07		117⅛	+⅛	118¾	110¾	10.01	9.11
Over Fifteen Years							
Treas 8½pc 2007‡‡		96¾	-⅛	97⅞	89¾	8.78	8.87
8½pc 2007 A		95⅜xd	—	97⅛	89¾	8.89	8.84
13½pc '04-08		130¾	+⅛	132⅜	123¾	10.32	9.12
9pc 2008‡‡		101⅜	-⅛	101¾	93¾	8.89	8.83
8pc 2009		92⅝	-⅛	93¾	85⅜	8.64	8.82
Conv 9pc Ln 2011‡‡		101¾	-⅛	102¾	93¾	8.85	8.79
9pc 2011 B		99¾	—	102	93¾	9.01	8.77
Treas. 9pc 2012		101⅞xd	-⅛	102⅜	93¾	8.83	8.78
9pc 2012 A		38⅞	-⅛	37⅝	34⅞	8.83	8.78
Treas 5½pc 2008-12‡‡		78½	-⅛	78¾	62⅞	7.80	8.58
7¾pc 2012-15‡‡		90⅛xd	+⅛	90¾	81¾	8.60	8.74
Exch 12pc '13-'17		130⅜	+⅛	130¾	120⅛	9.23	8.83
Treas 8¾pc 2017		100¾	+⅛	101	97⅛	8.94	8.70
Undated							
Consols 4pc		44xd	—	44⅛	39⅞	9.09	–
War Loan 3½pc‡‡		39¼	—	39⅝	36⅜	8.92	–
Conv 3½pc '61 Aft		62¼	-⅛	62⅞	59	5.58	–
Treas 3pc '66 Aft		32½	—	32⅜	29¾	9.23	–
Consols 2½pc		27⅝	+⅛	27⅝	24¾	8.97	–
Treas. 2½pc		27¾	+⅛	27¾	24¾	9.04	–
Index – Linked	(b)					(1)	(2)
Treas 2pc '94	(102.9)	127	—	127½	122⅛	2.47	3.99
2pc '96	(67.9)	183⅝	-⅛	184¼	176⅛	3.37	4.06
2½pc '01	(78.3)	147⅛	-⅛	148¾	143	4.11	4.46
2½pc '03	(78.8)	143¼	-⅛	144⅝	138⅜	4.14	4.44
2pc '06	(69.5)	145⅞	-⅛	147⅛	139⅜	4.18	4.42
2½pc '09	(78.8)	133	-⅛	134½	126⅛	4.20	4.41
2½pc '11	(74.6)	127⅜	-⅛	138⅛	129⅛	4.19	4.38
2½pc '13	(89.2)	112⅞xd	-⅛	114⅛	106⅛	4.19	4.37
2½pc '16	(81.6)	120½xd	-⅛	121⅞	112⅞	4.18	4.33
2½pc '20	(83.0)	115¾	-⅛	117⅛	107¾	4.15	4.30
2½pc '24‡‡	(97.7)	96⅛	-⅛	97⅛	88⅞	4.12	4.28
4⅛pc '30‡‡	(135.1)	98⅞	-⅛	99⅜	98⅛	4.08	4.23

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for December 1991: 135.7 and for June 1992: 139.3

OTHER FIXED INTEREST

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
African Dev 11⅛ 2010		114¾	+⅛	115¾	105⅞	9.68	9.36
Asian Dev 10¼pc 2009		109⅛	+⅛	109¾	100⅛	9.40	9.16
B'ham 11½pc 2012		113	—	113½	102¼	10.16	10.00
Ireland Cap 8½pc '10		90⅛	—	99¼	88⅞	9.43	–
9pc Cap 1996		92⅛	—	99¾	90	9.76	–
13pc '97-02		106	—	115½	103⅞	12.28	–
Hydro Quebec 15pc 2011		141⅜	+⅛	141⅜	130⅞	10.63	10.07
Leeds 13½pc 2006		124½	—	125	116¼	10.64	10.22
Liverpool 3½pc Irred		32½	—	33½	30	10.77	–
LCC 3pc '20 Aft		30¾	—	38⅞	27	9.76	–
Manchester 11½pc 2007		111	—	111¼	103½	10.38	10.07
Met. Wtr. 3pc 'B'		60¼	—	60½	53	4.98	8.68
N'wide Anglia 3⅞pc 2021		110¼	—	111¼	102¼	–	5.36
4⅛pc IL 2024		118	—	110½	103⅛	–	5.12
Utd Mex States 16½pc 2008		124½	—	126	121½	13.25	12.85

PUBLIC NOTICES

MONOPOLIES AND MERGERS COMMISSION

MMC INVITES EVIDENCE ON THE PROPOSED TRANSFER OF NEWSPAPERS: EMAP PLC AND UNITED NEWSPAPERS PLC

The Monopolies and Mergers Commission have been asked to inquire into the proposed transfer from EMAP plc to United Newspapers plc of the Western Telegraph, the South Wales Guardian and West Glamorgan Chronicle, and the Cardigan & Tivy-Side Advertiser newspaper businesses. The Commission have also been asked to inquire into the proposed related transfer from United Newspapers plc to EMAP plc of the Chronicle & Echo (Northampton), The Sports Chronicle (Northampton), The Northampton Mercury & Herald, The TV Advertising Trader (Northampton) and the Cambridgeshire Town Crier newspaper businesses. The Commission would like to hear from any person with information or views on these proposed transfers.

The Commission will be considering whether the proposed transfers may be expected to operate against the public interest and, *in particular, will be taking into account the* need for the accurate presentation of news and free expression of opinion.

The Commission would like evidence in writing by 24 July 1992 to be sent to: The Reference Secretary (EMAP/United Newspapers), Monopolies and Mergers Commission, New Court, 48 Carey Street, London, WC2A 2JT.

LONDON SHARE SERVICE

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING - AEROSPACE

[illegible]

ENGINEERING - GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

مكتبة دمشق

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1992 high	1992 low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv	†	167½	—	178	157	4.7	190.3	17.1
Warrants		28	—	38	24	—	—	—
Scot Mortgage		151	+1½	157	139	4.4	176.7	16.1
Scot National Inc.		69½	—	107	68	14.1	—	—
Cap		25	+8	42	12½	—	14.5	-52.0
Stepped Pf		147¾	+½	142	126	4.9	—	—
Zero Div Pf		187½	+½	187½	165½	—	—	—
Warrants		4	—	9	3½	—	—	—
Scot Value		52½	—	64	48	3.8	62.4	0.6
Sec Alliance	†	1140	+11	1200	1118	4.1	1297.9	12.2
Second Market		237	—	244	222	0.8	283.0	16.3
Sec 1st Scot		67¼	+1	75½	63	4.4	69.7	4.6
Select Assets		87	+½	102½	86½	1.3	125.7	30.8
Eq Ind Ser I		115	—	123	109	4.9	—	—
Eq Ind Ser II		115xd	—	123	109	4.9	—	—
Shires		221	—	249	195	11.1	216.1	-2.3
11pc Cv Ln '03/04		£104½	—	£119½	£95½	10.5	—	—
Siam Select		69	—	91	69	2.9	88.6	22.1
Warrants		11	—	21	11	—	—	—
Smaller Cos		78	—	85	67	4.3	85.1	8.4
Warrants		15	—	29	10	—	—	—
Sphere Inc	N	12½	—	28	12	33.1	18.1	31.1
Zero Div Pf		74¼	—	77¼	65¼	—	—	—
Warrants		6¼	—	3½	0¾	—	—	—

MEDIA - Cont.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

Marlborough Fund Managers Ltd (1630)F
57 Victoria Square, Bolton, BL1 1LA 0204 364842

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Managed Tst	5	52.31	52.61	56.97	+0.24	5.19

Martin Currie Unit Trusts Ltd (0905)H
Saltire Crt, 20 Castle Terrace, Edinburgh 031 479 4646

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Far East (Pacific)	5¼	91.63	91.63	97.27	-0.54	0.89
Income & Growth	5¼	59.64	59.64	63.31	-0.79	4.42
European (2)	5¼	56.54	56.54	60.00	+0.2	1.08
Nth American (2)	5¼	38.80	38.80	41.18	-0.16	0.77
Intl Growth(9-U	5¼	67.39	68.50	72.71	-0.35	0.66
UK Growth	5¼	60.28	61.26	65.03	-0.01	1.72
Intl Income	5¼	51.49	52.01	55.21	-0.04	4.53
Charities	5¼	89.75	90.94	96.53	+0.05	5.42
Japan	5¼	29.39	29.39	31.19	-0.19	0.19
Emerging Markets	6	55.65	56.83	60.78	-0.33	0.77

For Matheson see Cannon UT

For Mayflower Mangrs see Sheppards UT Mangrs

Mercury Fund Managers Ltd (1000)H
33 King William St, EC4R 9AS 071-280 2060

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American	5	124.5	124.5	132.3	....	0.00
(Accum Units)	5	133.0	133.0	141.4	....	0.00
American Opps	5	49.28	49.28	52.57	-0.25	0.00
(Accum Units)	5	49.96	49.96	53.30	-0.24	0.00
British Blue Chip	5	61.94	61.94	65.65	-0.17	4.06
(Accum Units)	5	70.39	70.39	75.09	-0.20	4.06
Cash *	0	101.8	101.8	101.8	....	9.87
(Accum Units) *	0	123.3	123.3	123.3	....	9.87
European Growth	5	158.4	158.4	168.2	+0.10	0.54
(Accum Units)	5	168.2	168.2	178.6	+0.30	0.54
European Income	5	61.16	61.16	64.84	+0.32	3.62
(Accum Units)	5	76.39	76.39	80.99	+0.39	3.62
General	5	381.3	382.5	408.0	-1.00	2.97
(Accum Units)	5	708.6	710.9	758.3	-2.00	2.97
Global Bond	5	105.6	105.6	110.9	....	6.66
(Accum Units)	5	112.5	112.5	118.2	-0.10	6.66

For National & Provincial UT Mngrs see N&P UT Mangmt

Newton Fund Mngrs Ltd (1200)F
2, London Bridge, SE1 9RA 071-407 4404

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Newton Income	6	158.90	162.42	172.79	+0.55	5.11
Newton Global	6	198.66	198.66	211.35	-0.90	1.39
Newton General	6	126.27	129.72	138.00	+0.22	3.09
Newton Intl Bd	6	98.17	99.62	105.99	-0.04	7.47

Norwich Union Tst Managers (1200)H
PO Box 124, 51/59 Rose Lane, Norwich 0603 682234

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Master Trust	6	86.00	86.00	91.49	-0.82	3.76
UK Equity†	6	106.31	108.17	115.07	+0.82	4.32
UK Equity Income	6	101.25	103.07	109.65	+0.75	5.77
UK Smaller Co's	6	89.25	92.67	98.58	-0.05	3.01
UK Equity Growth	6	99.62	101.25	107.71	+0.36	4.67
UK Index Tracking F	6	104.98	105.65	112.39	+0.31	4.67
Intl Index Tracking F	6	90.99	91.78	97.64	-0.20	1.51
International	6	148.09	149.69	159.24	-0.04	2.12
European	6	121.17	122.12	129.92	+0.29	1.33
Pan European	6	91.70	92.81	98.73	+0.36	3.14
Nth American	6	113.80	114.92	122.25	+0.03	2.35
Nth Amer Smllr Cos	6	98.40	100.30	106.70	-0.08	0.00
Japanese	6	52.47	53.26	56.66	-0.51	0.00
Pacific	6	122.15	123.94	131.87	-0.25	1.14
South East Asian	6	124.27	126.23	134.29	-0.08	1.06
International Bond	6	100.94	101.07	107.52	-2.32	6.49
Gilt & Convertible	6	99.34	99.54	105.89	+0.11	7.99
Property F	6	68.10	70.07	74.54	+0.05	6.62
Cash Deposit Accum F	0	101.78	101.78	101.78	+0.01	9.53

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (▼) - 0001 to 1100 hours; (◆) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (●) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

	Bid Price	Offer Price	+ or -	Yield Gross
Lazard Investors Ltd ##				
Exempt Funds				
Small Co's Jul 15	£3946.1	4119.9	—	3.58
European Jul 15	£576.5	582.5	—	1.96
American Jul 15	£326.0	328.8	—	1.82
Japan Jul 15	£384.8	390.4	—	1.67
Pacific Jul 15	£138.3	141.6	—	1.23
W Midlands Jun 30	£126.30	143.40	—	2.69
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Property Jun 30	189.30	195.20	—	8.25
Equity Jun 30	856.95	868.95	—	4.06
* Available only to Local Authorities				
M & G Securities Ltd				
Charibond Jul 15	106.64		—	10.11
(Accum Units)	662.85		-0.2	10.11
NAACIF Jul 14	41.25		—	9.1
Morgan Grenfell Investment Funds Ltd				
Exempt Funds				
UK Equity † Jul 14	127.5	136.8	—	1.99
UK Small Co † Jul 14	496.7	536.0	—	3.74
Fixed Interest † Jul 14	111.7	117.5	—	8.51
US Small Co Jul 14	134.4	143.9	—	0.00
Managed Jul 14	106.0	113.6	—	3.77
Intl Bond Jul 14	122.7	129.4	—	9.94
Japan Jul 14	56.71	60.41	—	5.27
European Jul 14	91.75	98.20	—	1.70
Nth American Jul 14	105.1	111.0	—	1.41
Morgan Stanley International				
UK Exempt	£1042.61	1068.94	—	-
Overseas Exempt	£939.23	967.83	—	-
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
American Exempt	49.60	50.50xd	-0.85	1.55
European Exempt	50.05	51.60xd	-0.73	2.93
Fixed Int Ex Jul 15	47.14	47.60xd	—	9.05
Japan Exempt	34.39	35.46	-0.20	0.84
Managed Ex Jul 9	43.23	44.43	—	4.39
SE Asia Exempt	77.10	80.53	-0.72	2.03

INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

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OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Currencies shrug off rate rise

CURRENCIES in the European Monetary System managed to shrug off the Bundesbank's 0.75 per cent rise in its discount rate yesterday, but some operators expressed fears that Germany will tighten monetary policy further, *writes James Blitz.*

The Bundesbank's decision to raise its discount rate from 8 per cent to 8.75 per cent did not cause the feared run on EMS currencies, partly because the expected tightening of German monetary policy had been priced into the market in the earlier part of this week.

However, the Bank of Italy was forced to raise its discount rate yet again to protect the lira in the aftermath of the Bundesbank's decision. The lira had dropped back to L761 to the D-Mark at the start of the day and ended stronger at L758.7, after the discount rate went up to 13.75 per cent. A more modest policy tightening by the Dutch and Belgian authorities was due to the traditionally close ties both countries have with Bundesbank policy.

Sterling ended one pfennig higher at DM2.8550, despite the Bank of England's determination not to tighten policy. Relief that the Lombard rate was untouched was the cause for bullishness, but scepticism remains over whether the pound can hold at these levels. "The markets are still looking for proof that the British government will defend the pound if the going gets tough," said Mr Mark Austin, chief economist at Hongkong & Shanghai Banking Corp in London. Mr Neil MacKinnon, of Yamaichi International, agreed: "Sterling will be under pressure in the next few days," he said. "The Bank of Italy has raised rates by 1.75 per cent in the last 10 days, and the markets want to see whether the Bank of England will defend its place in the ERM with that kind of action."

There are also fears that the Bundesbank will raise the more market-sensitive Lombard rate soon. Arguably, the more important news yesterday was not the rate rise but the Bundesbank's decision to leave the criteria by which it judges M3 money supply unchanged. As the OECD stated recently, German reunification has brought in its train certain phenomena that make the M3 targets misleading. This year's 3½ to 5½ per cent M3 growth target may be impossible to meet in any event.

The US dollar lost two pfennigs in the immediate aftermath of the rate rise, plagued by the 6.75 per cent differential in German and US short term interest rates. Yesterday's discount rate rise may not have widened the gap, but shows that an easing in the differential is a long way off. The US currency rallied later after Mr Ross Perot withdrew from the US presidential race. It closed at DM1.4745.

£ IN NEW YORK

July 16	Latest	Previous Close
£ Spot	1.9355-1.9365	1.9220-1.9230
1 month	1.10-1.09pm	1.11-1.09pm
3 months	3.19-3.16pm	3.29-3.26pm
12 months	11.0-10.9pm	11.2-11.1pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	July 16	Previous
8.30 am	92.4	92.3
9.00 am	92.4	92.4
10.00 am	92.4	92.4
11.00 am	92.3	92.4
Noon	92.4	92.3
1.00 pm	92.5	92.3
2.00 pm	92.5	92.3
3.00 pm	92.6	92.4
4.00 pm	92.7	92.4

CURRENCY MOVEMENTS

Jul 16	Bank of England Index	Morgan** Guaranty Changes %
Sterling	92.7	-39.7
U.S Dollar	60.1	-18.5
Canadian Dollar	98.5	-3.2
Austrian Schilling	111.2	+13.1
Belgian Franc	112.8	-1.0
Danish Krone	111.2	+5.1
D-Mark	121.1	+27.0
Swiss Franc	108.8	+16.6
Dutch Guilder	116.0	+17.4
French Franc	106.2	-10.7
Lira	99.7	-19.8
Yen	139.4	+76.5
Peseta	108.1	-17.9

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for July 15

CURRENCY RATES

Jul 16	Bank § rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.753541	0.714945
U.S Dollar	3.00	1.44695	1.37162
Canadian $	5.85	1.72578	1.63429
Austrian Sch	7.50	15.1206	14.3623
Belgian Franc	8.50	44.3128	42.0711
Danish Krone	9.50	8.28089	7.85596
D-Mark	8.75	2.14670	2.04029
Dutch Guilder	8.50	2.41829	2.30144
French Franc	10¼	7.24343	6.88966
Italian Lira	13.75	1628.10	1550.62
Japanese Yen	3.75	181.230	171.453
Norway Krone	-	8.44585	8.02262
Spanish Peseta	-	136.732	130.285
Swedish Krona	10.00	7.79761	7.40607
Swiss Franc	7.00	1.94253	1.84140
Greek Drach	19	266.036	250.911
Irish Punt	-	0.817605	0.765884

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for July 15

OTHER CURRENCIES

Jul 16	£	$
Argentina	1.9165 - 1.9195	0.9900 - 0.9910
Australia	2.6015 - 2.6035	1.3450 - 1.3455
Brazil	7087.55 - 7091.65	3660.75 - 3660.95
Finland	7.7825 - 7.8060	4.0250 - 4.0300
Greece	346.900 - 352.450	180.310 - 183.200
Hong Kong	14.9485 - 14.9620	7.7315 - 7.7325
Iran	2752.00*	1430.00*
Korea(Sth)	1500.65 - 1524.65	784.80 - 791.00
Kuwait	0.55800 - 0.55900	0.28830 - 0.28850
Luxembourg	58.95 - 59.05	30.45 - 30.55
Malaysia	4.8195 - 4.8315	2.4955 - 2.4965
Mexico	5811.45 - 5824.15	3116.00 - 3117.00
N.Zealand	3.5420 - 3.5460	1.8300 - 1.8320
Saudi Ar	7.1655 - 7.2425	3.7495 - 3.7505
Singapore	3.1075 - 3.1150	1.6080 - 1.6090
S.Af (Cm)	5.3010 - 5.3135	2.7425 - 2.7445
S.Af (Fn)	7.3450 - 7.3880	3.7950 - 3.8170
Taiwan	47.80 - 48.00	24.70 - 24.80
U.A.E.	7.0160 - 7.0935	3.6715 - 3.6735

*Floating rate. Iran Official rate £121.00 $64.00

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jul 16	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	178.735	173.936	-2.69	5.42	43
Spanish Peseta	133.631	130.285	-2.50	5.22	42
Belgian Franc	42.4032	42.0711	-0.78	3.40	29
D-Mark	2.05586	2.04029	-0.76	3.37	37
Dutch Guilder	2.31643	2.30144	-0.65	3.26	23
Irish Punt	0.767417	0.765884	-0.20	2.79	1
French Franc	6.89509	6.88966	-0.08	2.67	-5
Danish Krone	7.84195	7.85596	0.18	2.41	-16
Italian Lira	1538.24	1550.62	0.80	1.77	-49
Sterling	0.696904	0.714945	2.59	0.00	-51

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu, a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Jul 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9160 - 1.9380	1.9360 - 1.9370	1.10-1.08cpm	6.75	3.20-3.17pm	6.58
Canada	2.2930 - 2.3025	2.2985 - 2.2995	0.91-0.84cpm	4.57	2.69-2.59pm	4.59
Netherlands	3.2085 - 3.2270	3.2150 - 3.2250	⅛-parcpm	0.23	⅜-⅛pm	0.31
Belgium	58.60 - 59.05	58.95 - 59.05	5-parcpm	0.51	9-4pm	0.44
Denmark	10.9610 - 11.0480	11.0050 - 11.0150	½-1¼oredis	-0.95	1½-3¼dis	-0.86
Ireland	1.0695 - 1.0735	1.0725 - 1.0735	0.03dis-0.01cpm	-0.11	0.05dis-0.01pm	-0.07
Germany	2.8460 - 2.8575	2.8525 - 2.8575	⅓-parpfpm	0.26	¼-parpm	0.18
Portugal	242.05 - 243.60	242.40 - 243.40	61-140cdis	-4.97	179-333dis	-4.22
Spain	181.75 - 182.30	181.90 - 182.20	35-50cdis	-2.80	105-127dis	-2.55
Italy	2158.60 - 2172.50	2165.50 - 2166.50	10-12liredis	-6.09	28-30dis	-5.36
Norway	11.1890 - 11.2760	11.2225 - 11.2325	par-¼oredis	-0.40	¼-1½dis	-0.29
France	9.6080 - 9.6545	9.6350 - 9.6450	⅛-⅜cdis	-0.31	⅛-⅞dis	-0.26
Sweden	10.3350 - 10.4140	10.3650 - 10.3750	⅞-1⅛oredis	-1.16	3⅛-4⅛dis	-1.45
Japan	240.15 - 243.25	242.25 - 243.25	1¼-1ypm	5.56	3⅜-3¼pm	5.46
Austria	20.01 - 20.14	20.09 - 20.12	1¼-pargropm	0.37	2¼-parpm	0.22
Switzerland	2.5600 - 2.5795	2.5600 - 2.5700	⅜-¼cpm	1.46	⅞-⅝pm	1.17
Ecu	1.3950 - 1.4060	1.4050 - 1.4060	0.07-0.12cdis	-0.81	0.23-0.30dis	-0.75

Commercial rates taken towards the end of London trading. Six-month forward dollar 6.07-6.02pm. 12 Month 11.05-10.95pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jul 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9160 - 1.9380	1.9360 - 1.9370	1.10-1.08cpm	6.75	3.20-3.17pm	6.58
Ireland†	1.7870 - 1.8085	1.8005 - 1.8015	1.07-1.04cpm	7.03	3.08-3.02pm	6.77
Canada	1.1890 - 1.1940	1.1905 - 1.1915	0.21-0.23cdis	-2.22	0.59-0.62dis	-2.03
Netherlands	1.6560 - 1.6815	1.6620 - 1.6630	0.89-0.92cdis	-6.53	2.64-2.69dis	-6.41
Belgium	30.35 - 30.70	30.45 - 30.55	16.00-17.00cdis	-6.49	47.00-50.00dis	-6.36
Denmark	5.6675 - 5.7380	5.6825 - 5.6875	3.68-3.88oredis	-7.98	10.35-11.25dis	-7.60
Germany	1.4675 - 1.4910	1.4740 - 1.4750	0.82-0.83pfdis	-6.71	2.40-2.42dis	-6.54
Portugal	125.55 - 126.05	125.95 - 126.05	121-129cdis	-11.90	342-358dis	-11.11
Spain	94.00 - 95.15	94.25 - 94.35	75-77cdis	-9.67	221-228dis	-9.52
Italy	1115.75 - 1132.35	1118.25 - 1118.75	11.80-12.30liredis	-12.93	33.20-34.70dis	-12.14
Norway	5.7725 - 5.8600	5.7950 - 5.8000	3.40-3.60oredis	-7.24	9.90-10.70dis	-7.11
France	4.9600 - 5.0360	4.9750 - 4.9800	2.93-2.98cdis	-7.12	8.65-8.75dis	-6.99
Sweden	5.3385 - 5.4150	5.3525 - 5.3575	3.65-3.80oredis	-8.35	10.85-11.40dis	-8.31
Japan	124.60 - 125.45	125.35 - 125.45	0.01-0.02ydis	-0.14	0.03-0.04dis	-0.11
Austria	10.3750 - 10.4710	10.3750 - 10.3800	5.45-5.80grodis	-6.50	16.00-17.00dis	-6.36
Switzerland	1.3240 - 1.3450	1.3240 - 1.3250	0.62-0.64cdis	-5.71	1.88-1.91dis	-5.72
Ecu	1.3670 - 1.3860	1.3780 - 1.3790	0.87-0.86cpm	7.53	2.51-2.48pm	7.24

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Jul 16	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	10 - 9⅞	10¼ - 9⅞	10 7/16 - 10 5/16	10 7/16 - 10 5/16	10 7/16 - 10 5/16	10 7/16 - 10 5/16
US Dollar	3 5/16 - 3 3/16	3½ - 3¼	3⅜ - 3¼	3 7/16 - 3 5/16	3⅝ - 3½	3 15/16 - 3 13/16
Can Dollar	5⅝ - 5⅜	5⅝ - 5⅜	5 7/16 - 5 5/16	5 7/16 - 5 5/16	5⅝ - 5½	5⅞ - 5¾
Dutch Guilder	9 11/16 - 9 9/16	9 11/16 - 9 9/16	9¾ - 9⅝	9 11/16 - 9 9/16	9 11/16 - 9 9/16	9⅝ - 9½
Swiss Franc	5½ - 5	8⅝ - 8½	8 15/16 - 8 13/16	9 - 8⅞	9 - 8⅞	8⅞ - 8¾
D-Mark	9 11/16 - 9 9/16	9 11/16 - 9 9/16	9⅞ - 9¾	9⅞ - 9¾	9⅞ - 9¾	9⅞ - 9¾
French Franc	10 7/16 - 10 5/16	10 7/16 - 10 5/16	10 5/16 - 10 3/16	10¼ - 10⅛	10¼ - 10⅛	10⅛ - 10
Italian Lira	15 - 13	16¼ - 15½	15¼ - 15¼	15⅛ - 14⅞	15¼ - 14¾	15⅛ - 14⅞
Belgian Franc	9⅞ - 9⅝	9⅞ - 9⅝	9⅞ - 9⅝	9⅞ - 9⅝	9⅞ - 9⅝	9⅞ - 9⅝
Yen	4⅝ - 4 7/16	4⅝ - 4 7/16	4 9/16 - 4 7/16	4½ - 4⅜	4⅜ - 4¼	4¼ - 4⅛
Danish Krone	12 - 11½	11½ - 11	11¼ - 10¾	10⅞ - 10⅝	10⅞ - 10⅝	10⅞ - 10⅝
Asian $Sing.	2¼ - 2⅛	2¼ - 2⅛	2¼ - 2⅛	2⅜ - 2¼	2⅜ - 2¼	3¼ - 3⅛
Spanish Peseta	12¾ - 12⅝	12¾ - 12⅝	12¾ - 12⅝	12¾ - 12⅝	12 13/16 - 12 11/16	12⅞ - 12¾

Long term Eurodollars: two years 4½-4⅜ per cent; three years 5 3/16-5 1/16 per cent; four years 5⅝-5½ per cent; five years 6⅛-6 per cent nominal. Short term rates are call for US Dollars and Japanese Yen, others, two days' notice.

EXCHANGE CROSS RATES

July 16	£	$	DM	Yen	F Fr.	S Fr.	N FL	Lira	C$	B Fr	Pta	Ecu
£	1	1.937	2.855	242.8	9.640	2.565	3.220	2166	2.299	59.00	182.1	1.406
$	0.516	1	1.474	125.3	4.977	1.324	1.662	1118	1.187	30.46	94.01	0.726
DM	0.350	0.678	1	85.04	3.377	0.898	1.128	758.7	0.805	20.67	63.78	0.492
YEN	4.119	7.978	11.76	1000	39.70	10.56	13.26	8921	9.469	243.0	750.0	5.791
F Fr.	1.037	2.009	2.962	251.9	10.	2.661	3.340	2247	2.385	61.20	188.9	1.459
S Fr.	0.390	0.755	1.113	94.66	3.758	1	1.255	844.4	0.896	23.00	70.99	0.548
N FL	0.311	0.602	0.887	75.40	2.994	0.797	1	672.7	0.714	18.32	56.55	0.437
Lira	0.462	0.894	1.318	112.1	4.451	1.184	1.487	1000	1.061	27.24	84.07	0.649
C$	0.435	0.843	1.242	105.6	4.193	1.116	1.401	942.1	1	25.66	79.21	0.612
B Fr.	1.695	3.283	4.839	411.5	16.34	4.347	5.458	3671	3.897	100	308.6	2.383
Pta	0.549	1.064	1.568	133.3	5.294	1.409	1.768	1189	1.262	32.40	100	0.772
Ecu	0.711	1.378	2.031	172.7	6.856	1.824	2.290	1541	1.635	41.96	129.5	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS; LIFFE US TREASURY BOND FUTURES OPTIONS; LIFFE BUND FUTURES OPTIONS; LIFFE EUROMARK OPTIONS; LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS; LIFFE SHORT STERLING OPTIONS

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

PARIS

[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls September	Calls December	Calls March	Puts September	Puts December	Puts March
106	-	-	-	0.26	0.58	-
107	0.50	1.15	-	0.59	0.95	-
108	0.17	0.70	-	1.25	1.47	-
109	0.05	0.40	-	-	-	-
110	-	0.20	-	-	-	-
111	0.01	0.09	-	-	-	-
Open Int	111,921	192,444	3,600	95,260	36,447	3,960

Estimated volume 40,427 Prev. day Total Open Interest 443,632

FT-SE 100 INDEX *

	Close	High	Low	Prev.
Sep	2506.0	2537.0	2489.0	2502.5
Dec	2552.0	2569.0	2569.0	2548.5
Mar	2588.0			2584.5

Estimated volume 11711 (6366)
Previous day's open int. 43200 (43804)

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.9365	1.9256	1.9046	1.8760	1.8265

BASE LENDING RATES

	%		%		%
Adam & Company	10	Credit Lyonnais	10	McDonnell Douglas Bnk	10
Allied Trust Bank	10	Cyprus Popular Bk	10	Midland Bank	10
AIB Bank	10	Dao Heng Bank Plc	11	Mount Banking	10
● Henry Ansbacher	10	Duncan Lawrie	10	NatWestminster	10
B & C Merchant Bank	10.5	Equatorial Bank plc	10	Northern Bank Ltd	10
Bank of Baroda	10	Exeter Bank Limited	10.5	Nykredit Mortgage Bank	10.5
Banco Bilbao Vizcaya	10	Financial & Gen. Bank	10	Provincial Bank PLC	14
Bank of Cyprus	10	● Robert Fleming & Co.	10	● Rea Brothers	10
Bank of Ireland	10	Robert Fraser & Ptnrs.	10.5	Roxburghe Bank Ltd	11
Bank of India	10	Girobank	10	Royal Bk of Scotland	10
Bank of Scotland	10	● Guinness Mahon	10	● Smith & Williamson Secs.	10
Banque Belge Ltd	10	Habib Bank AG Zurich	10	Standard Chartered	10
Barclays Bank	10	● Hambros Bank	10	TSB	10
Brit Bk of Mid East	10	Hampshire Trust Plc	13.5	Unibank plc	10
● Brown Shipley	10	Heritable & Gen Inv Bnk.	10	● United Bk of Kuwait	10
CL Bank Nederland	10	● Hill Samuel	10	Unity Trust Bank Plc	10
Citibank NA	10	C. Hoare & Co.	10	Western Trust	10
City Merchants Bank	10	Hongkong & Shanghai	10	Whiteaway Laidlaw	10
Clydesdale Bank	10	Julian Hodge Bank	10	Yorkshire Bank	10
Co-operative Bank	10	● Leopold Joseph & Sons	10		
Coutts & Co	10	Lloyds Bank	10		
		Meghraj Bank Ltd	10		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Worries not over

THE BUNDESBANK'S decision to raise its discount rate by ¾ of a percentage point, to 8.75 per cent, caused no immediate tension in the sterling cash market, and the Bank of England continued to deal at the established intervention rates after the German announcement.

But traders said that the pound's performance on the foreign exchanges over the next week will decide whether period rates, or even the Bank of England's intervention policy, need be firmer. Nor have fears disappeared about a rise in the Bundesbank's emergency Lombard rate, the most important determinant of short term rates. "The possibility of further tightening by the Bundesbank cannot be ruled out," said one analyst yesterday. "The difference between the Lombard rate and the discount rate is now down to the lows of the early 1980s, and, in those days, a discount rate rise was always followed by one in the Lombard."

Dealers said that the possibility that the Germans would tighten monetary policy yesterday had already been priced into the market, leaving the 3-month cash rate at 10 7/16 per cent by Wednesday night. By yesterday evening, the rate had softened to 10⅛ per cent, reflecting relief in the market that the Lombard was unchanged. The 1-month rate for sterling cash remained at 10⅛ per cent and the 1-year rate at 10 7/16 per cent.

Sterling futures traders had a more turbulent day. Shortly before the news from the Bundesbank came through, the September contract traded up 10 basis points to 89.90, on rumours that the Germans were leaving policy unchanged. The contract then sank back to around 89.82 as the real news arrived, but ended at 89.93, propelled by sterling's strong performance in the afternoon.

The Bank of England's operations followed a morning forecast of £800m, and the Bank dealt at the established rates of 9⅞ per cent for Bands 1 and 2, and 9 15/16 per cent for the repurchase agreements (repos).

In early operations, the Bank purchased £150m of Band 2 bank bills, and £166m in a repo repayable on 5 and 6 August. In the afternoon, the Bank purchased £132m of Band 1 Bank bills and £50m of Band 2 bank bills. The Bank provided late assistance of £195m.

UK clearing bank base lending rate 10 per cent from May 5, 1992

FT LONDON INTERBANK FIXING

(11.00 a.m. July 16) 3 months US dollars		6 months US Dollars	
bid 3 5/16	offer 3 7/16	bid 3 7/16	offer 3 9/16

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime

Prime rate	6
Broker loan rate	6
Fed.funds	3¼
Fed funds at intervention	-

Treasury Bills and Bonds

One month	3.24	Three year	4.73
Two month	3.18	Five year	5.82
Three month	3.25	Seven year	6.40
Six month	3.33	10-year	6.92
One year	3.50	30-year	7.66
Two year	4.26		

July 16	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.65-9.75	9.65-9.75	9.65-9.75	9.65-9.75	9.65-9.75	9.75
Paris	9 15/16-10 1/16	10 1/16-10 3/16	10⅛-10⅛	10⅛-10¼	10⅛-10¼	9.60
Zurich	6⅞-6⅝	8⅝-8⅞	-	8⅝-8⅞	-	-
Amsterdam	-	-	-	-	-	-
Tokyo	4 7/16-4⅝	4 7/16-4⅝	-	4 15/16-4 11/16	-	-
Milan	14½-14¾	16 9/16-16 11/16	-	15⅞-16⅛	-	-
Brussels	9⅝-9⅞	9 7/16-9 11/16	-	9 7/16-9 11/16	-	-
Dublin	10 3/16-10 5/16	10 3/16-10 5/16	10 3/16-10 5/16	10 3/16-10 5/16	10 3/16-10 5/16	-

LONDON MONEY RATES

Jul 16	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	12	10	10 3/16	10¼	10¼	10 9/16
Interbank Bid	9½	9¾	10 1/16	10⅛	10⅛	10
Sterling CDs	-	-	10¼	10 5/16	10¼	10 7/16
Local Authority Deps.	9½	9¾	10	10 3/16	10	9⅞
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	10¼	9⅞	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	10⅛	10 3/16	10 3/16	10⅛
Treasury Bills (Buy)	-	-	9 13/16	9¾	9¾	-
Bank Bills (Buy)	-	-	9 15/16	9 13/16	9¾	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	3.25	3.27	3.37	3.59
SDR Linked Dep. Offer	-	-	6⅛	6⅜	6¼	6⅜
SDR Linked Dep Bid	-	-	6¼	6¼	6⅛	6¼
ECU Linked Dep Offer	-	-	10 13/16	10 13/16	10¾	10 11/16
ECU Linked Dep Bid	-	-	10 11/16	10 11/16	10⅝	10⅝

Treasury Bills (sell): one-month 9⅝ per cent; three months 9½ per cent; six months 9 7/16 per cent. Bank Bills (sell): one-month 9 13/16 per cent; three months 9 11/16 per cent; Treasury Bills; Average tender rate of discount 9.3294 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day June 30, 1992. Agreed rates for period July 26, 1992 to August 25, 1992. Scheme I: 11.29 p.c., Schemes II & III: 11.28 p.c. Reference rate for period May 30, 1992 to June 30, 1992. Scheme IV&V. 10.038 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ from July 1, 1992. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 6½ per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 8½ per cent; nine-twelve months 8½ per cent; Under £100,000 7 per cent from May 6, 1992. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

CROSSWORD

No.7,901 Set by VIXEN

ACROSS
1 Purse – a bargain (8)
5 Expert, as French drivers go (6)
9 Marginal changes that can be portentous (8)
10 A good man accepting little sister's help (6)
12 The guard rereading orders (9)
13 Consequently she goes to church (5)
14 A beast – but not with women (4)
16 Certain to keep the retired fellow in style (7)
19 A medical attendant has a duty to ensure dryness (7)
21 The ones taken in hand (4)
24 No longer scoff and leave (5)
25 Average sum outstanding (9)
27 Wiped out, as deer might well be (6)
28 Nice bill presented by a minister (8)
29 The first true believer (6)
30 Laid emphasis on final courses, on reflection (8)

DOWN
1 Coppers maybe make a difference (6)
2 Some of those living alone are rather less generous (6)
3 Dance that's unconventional to a degree! (5)
4 Studying or cheating? (7)
6 The underworld fill up free (9)
7 Possibly Japanese relation – quite possibly (8)
8 Note the Communist should be kept in check (8)
11 Members, having a right, writing (4)
15 Adjusting thing – sets the tension (9)
17 A woman in depression finding a man supportive (8)
18 Conceal date of birth as a form of insurance (8)
20 The shark needs to exercise (4)
21 A crop. It could be fruit (7)
22 People giving a sound short answer (6)
23 There's a series of races – aim to be there (6)
26 Quiet comparison (5)

Solution to Puzzle No.7,900

CARBON OBEDIENT / REAPER PARMESAN / UPPERCUT BREEZE / ELAN WARPATH / MORAINE GOAT / IRONIC HENPARTY / CASTIRON PESETA / POPINJAY JEKYLL

WORLD STOCK MARKETS

FRANCE (continued)

GERMANY (continued)

NETHERLANDS (continued)

SWEDEN (continued)

SWITZERLAND

NORWAY

SPAIN

SOUTH AFRICA

ITALY

AUSTRALIA (continued)

HONG KONG

MALAYSIA

SINGAPORE

CANADA

TORONTO

3:00 pm prices July 16

MONTREAL

3:00 pm prices July 16

Total Sales 12,808,700 shares

INDICES

NEW YORK

DOW JONES	Jul 15	Jul 14	Jul 13	Jul 10	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
φIndustrials	3345.42	3358.39	3337.31	3330.56	3413.21 (1/6)	3172.41 (2/1)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	101.19	101.17	101.08	101.11	101.19 (15/7)	98.41 (20/3)	101.19 (15/7/92)	54.99 (1/10/81)
Transport	1317.64	1311.29	1309.04	1303.25	1467.68 (20/2)	1277.65 (26/6)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	220.89	220.58	219.02	218.64	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

φDay's High (u) (3371.89) Low (u) (3315.97)

STANDARD AND POOR'S

	Jul 15	Jul 14	Jul 13	Jul 10	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	417.10	417.68	414.87	414.62	420.77 (15/1)	394.50 (8/4)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	489.62	490.19	486.62	485.94	499.27 (15/1)	470.91 (8/4)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	36.32	36.64	36.46	36.65	36.65 (10/7)	32.40 (8/4)	36.65 (10/7/92)	8.64 (1/10/74)
NYSE Composite	229.20	229.51	228.04	227.88	231.85 (15/1)	217.92 (8/4)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	386.87	386.08	383.14	382.32	418.99 (12/2)	374.04 (26/6)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	575.47	575.21	570.22	567.80	644.92 (12/2)	547.84 (26/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Jul 10	Jun 26	Jun 19	year ago (approx.)
Dow Industrial Div. Yield	3.13	3.14	3.14	3.08

	Jul 8	Jul 1	Jun 24	year ago (approx.)
S & P Industrial div. yield	2.68	2.66	2.72	2.96
S & P Indl. P/E ratio	28.45	28.74	28.14	16.95

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Coca-Cola	2,980,400	40½	- 1
Telefonos	2,562,800	48¼	+ ¾
Unisys	2,337,500	9¼	+ ⅛
Ford Motor	2,254,400	45¼	....
RJR Nabisco	2,118,200	9½	+ ⅛
IBM	2,078,600	99¼	+ 1⅛
BankAmerica	1,711,400	41¼	- 1½
Walt Disney	1,692,200	36⅝	+ ¼
Toys R Us	1,560,100	36¼	+ ⅞
MNC Fin	1,476,200	11¼	- ¼

TRADING ACTIVITY

† Volume Millions	Jul 15	Jul 14	Jul 13
New York SE	204.960	194.350	148.820
Amex	11.423	10.792	9.641
NASDAQ	169.383	167.196	132.929
NYSE			
Issues Traded	2,302	2,294	2,298
Rises	904	1,094	978
Falls	804	636	739
Unchanged	594	564	581
New Highs	114	92	108
New Lows	18	25	21

CANADA

TORONTO	Jul 15	Jul 14	Jul 13	Jul 10	1992 HIGH	1992 LOW
Metals & Minerals	3194.64	3210.36	3203.69	3203.87	3238.87 (16/1)	2809.26 (8/4)
Composite	3472.03	3463.17	3449.23	3447.55	3666.00 (16/1)	3318.10 (8/4)
MONTREAL Portfolio	1841.82	1841.63	1832.71	1832.71	1937.59 (16/1)	1727.04 (8/4)

Base values of all Indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Jul 16	Jul 15	Jul 14	Jul 13	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1639.2	1636.7	1638.8	1632.9	1654.50 (22/5)	1545.30 (9/4)
All Mining (1/1/80)	725.9	722.2	722.3	721.7	725.80 (3/7)	660.30 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	358.17	358.96	360.97	362.06	458.57 (24/2)	358.17 (16/7)
Traded Index (2/1/91)	861.54	860.11	863.86	868.16	1099.43 (24/2)	860.11 (15/7)
BELGIUM						
BEL20 (1/1/91)	1173.22	1171.86	1165.19	1166.20	1235.40 (2/6)	1097.23 (8/1)
DENMARK						
Copenhagen SE (3/1/83)	318.25	317.61	317.81	318.47	365.29 (15/1)	316.58 (23/6)
FINLAND						
HEX General (28/12/90)	731.1	729.4	735.4	741.2	935.90 (24/2)	729.40 (15/7)
FRANCE						
CAC General (31/12/82)	502.27	506.27	(c)	(c)	555.93 (12/5)	475.53 (2/1)
CAC 40 (31/12/87)	1851.23	1853.26	(c)	(c)	2077.49 (11/5)	1749.91 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	687.90	687.13	686.32	687.08	725.26 (26/5)	643.26 (8/1)
Commerzbank (1/12/53)	1947.00	1944.4	1941.1	1942.9	2043.80 (25/5)	1813.80 (8/1)
DAX (30/12/87)	1740.53	1734.62	1734.10	1736.50	1811.57 (25/5)	1578.73 (10/1)
HONG KONG						
Hang Seng Bank (31/7/64)	6162.53	6125.46	6097.19	6085.85	6162.53 (16/7)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1316.13	1307.92	1291.47	1283.43	1469.57 (17/1)	1267.03 (9/7)
ITALY						
Banca Com. Ital. (1972)	446.65	445.42	447.76	441.05	551.59 (6/2)	429.12 (8/7)
MIB General (2/1/92)	877.0	875.0	880.0	866.0	1086.00 (5/2)	842.00 (8/7)
JAPAN						
Nikkei (16/5/49)	16987.66	17116.92	17064.63	17201.73	23801.18 (6/1)	15741.27 (29/6)
Tokyo SE (Topix) (4/1/68)	1290.54	1298.84	1294.15	1298.95	1763.43 (6/1)	1196.19 (9/4)
2nd Section (4/1/68)	1883.13	1889.65	1886.78	1893.88	2459.85 (6/1)	1868.82 (30/6)
MALAYSIA						
KLSE Composite (4/4/86)	611.74	612.36	617.94	616.08	619.06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS Td Rtn.Gen (End 1983)	298.7	299.3	298.4	298.1	314.90 (9/6)	274.00 (8/1)
CBS All Shr (End 1983)	204.1	204.5	203.9	203.7	215.50 (26/5)	192.40 (8/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	678.89	678.74	663.16	673.14	772.74 (18/5)	663.16 (14/7)
PHILIPPINES						
Manila Comp (2/1/85)	1451.50	1428.41	1437.79	1444.73	1580.95 (11/6)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	397.05	400.42	400.63	400.76	416.99 (21/1)	370.13 (9/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1129.04	1090.0	1060.0	1055.0	1327.00 (21/1)	1006.00 (24/4)
JSE Industrial (28/9/78)	4278.04	4263.0	4226.0	4250.0	4689.00 (4/6)	4169.00 (2/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	511.61	514.19	527.08	512.54	691.48 (8/2)	511.61 (16/7)
SPAIN						
Madrid SE (30/12/85)	228.88	231.07	234.54	235.75	266.51 (28/2)	228.88 (16/7)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	889.70	887.5	888.1	888.1	1014.50 (11/5)	877.50 (8/7)
SWITZERLAND						
Swiss Bank Ind (31/12/58)	835.1	836.2	833.6	836.4	883.40 (11/5)	748.50 (8/1)
SBC General (1/4/87)	633.2	634.2	631.4	633.0	682.30 (11/5)	601.10 (8/1)
TAIWAN**						
Weighted Price (30/6/66)	4349.68	4352.51	4307.69	4312.38	5391.63 (30/1)	4268.17 (11/5)
THAILAND						
Bangkok SET (30/4/75)	750.38	(c)	741.87	734.46	832.39 (7/4)	667.84 (19/5)
WORLD						
M.S. Capital Intl (1/1/70) ($)	507.2*	507.8	507.1	506.6	542.10 (7/1)	467.50 (2/4)
Euro Top-100 (26/6/90)	895.48	896.35	897.83	897.53	976.55 (25/5)	870.31 (2/1)

**Saturday July 11: Taiwan Weighted Price 4384.52. Korea Comp Ex 519.50
& Subject to official recalculation. *Calculated at 15.00 GMT
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000. JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed (u) Unavailable

TOKYO - Most Active Stocks

Thursday 16 July 1992

	Stocks Traded	Closing Prices	Change on day
Toshiba Corp	5.7m	660	-4
Sumitomo Chem	5.4m	451	+1
Mitsui Min & Sml	4.9m	366	+11
Meiji Seika	4.1m	705	-17
Dowa Mining	4.0m	620	+3
Meiji Milk Prod	3.2m	979	-16
Taiyo Fishery	2.3m	483	-12
Sumitomo Mtl	2.3m	763	+6
Nippon Zeon	2.2m	680	+6
Mitsubishi Mater	2.0m	428	+4

3:00 pm prices July 16

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
18 7/8	11 7/8	AAR Corp	0.48	3.7	20	138	12 7/8	12 5/8	12 7/8	+1/4
26	18 1/8	A L Labs A	0.18	0.9	80	184	20 5/8	20	20	-1/2
68 1/4	53 1/2	AMP Inc	1.52	2.8	22	704	54 3/4	54 1/2	54 5/8	
80 1/4	60 7/8	AMR			17	57537	66 5/8	65 1/4	66 5/8	+1 1/8
2 3/8	1 3/8	ARX			2	5	1 5/8	1 5/8	1 5/8	
53 1/2	38 1/4	ASA	2.00	4.8	27	280	41 7/8	41 3/8	41 1/2	-3/8
34 1/4	26 1/8	Abbott Lab x	0.60	2.0	21	5665	30 1/8	29 7/8	30	-1/4
13 7/8	12	Abitibi Pr x	0.50	3.8	9	35	13 1/4	13	13 1/8	
11 5/8	10 1/8	ACM Gvt In x	1.11	9.8		172	11 3/8	11 1/4	11 3/8	+1/8
10 3/8	9 1/8	ACM GvOpp x	0.94	9.6		41	9 7/8	9 3/4	9 3/4	
9 1/2	8 1/2	ACM Gvt Sp	0.82	8.9		169	9 3/8	9 1/4	9 1/4	-1/8
11 1/4	10 1/8	ACM Gvt Se	1.13	10.3		31	11	10 7/8	11	+1/8
10	8 5/8	ACM Man x	0.98	10.1		486	9 3/4	9 5/8	9 3/4	+1/8
12 7/8	10 5/8	ACM Managd x	1.21	10.8		21	11 1/4	11 1/8	11 1/4	
11 3/4	4 3/4	Acme Cleve	0.40	7.0	19	263	6	5 5/8	5 3/4	-1/4
6 1/4	4 1/8	Acme Elect			4	35	5 1/8	4 7/8	5 1/8	
33 1/4	18 1/4	Acuson			11	284	18 1/2	18 3/8	18 1/2	+1/8
19 1/2	16 1/8	Adams Expr	1.63	9.5	0	49	18 7/8	18 3/4	18 7/8	
49 1/8	29 1/2	Ad Micro	3.00	8.7		127	34 1/2	34 1/4	34 3/8	+1/4
21 1/2	7 1/2	Ad Micro P	3.00	30.8		32012	8 7/8	8 1/4	8 7/8	
9 1/8	5	Advest Grp	0.16	2.4	67	27	6 3/4	6 3/4	6 3/4	
37 1/4	33	Aegon ADR	1.68	4.5	7	530	u37 5/8	37 1/2	37 5/8	+3/8
47	38 1/8	Aetna Lf	2.76	6.5	8	1254	42 5/8	42 1/4	42 5/8	
12 1/8	8 1/8	Afhl A	0.24	2.0	13	2234	11 7/8	11 5/8	11 3/4	+1/8
32 7/8	24	Aflac	0.44	1.3	16	765	32 5/8	32 1/8	32 3/8	+1/4
19 1/8	15 1/8	Ahmanson	0.88	5.4	7	1247	16 5/8	16 3/8	16 3/8	-1/8
22 1/2	5 3/4	Aileen Inc			6	31	7	6 3/4	6 7/8	+1/8
49 1/2	36 1/2	Air Pr Chm	0.86	2.0	18	3380	42 1/4	40 1/2	42 1/8	+1 1/8
29 3/4	12 1/2	Airbne Frt	0.30	2.1	11	542	14 1/8	13 7/8	14	+1/8
34 1/4	22 5/8	Airgas Inc			31	181	34	33 1/2	33 7/8	+3/8
12 1/8	8 1/8	Airlease	1.68	14.8	8	37	11 1/2	11 3/8	11 1/4	-1/8

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
28½	24⅞	Xtra 1.94	1.94	6.9		20	28	28	28⅛	
37	28½	Xtra Corp	0.80	2.2	13	62	35⅝	35¼	35⅝	+⅛
28	25¼	Yankee Egy	1.66	5.9	12	8	u28	27⅝	28	+⅛
1½	½	Zapata			43	100	⅞	13/16	⅞	+1/16
11⅛	6¾	ZenithElec			3	383	7⅝	7⅜	7½	
19½	14½	Zenith Nat	1.00	5.6	8	68	18¼	18	18	−¼
7⅛	6	Zenix Inc	0.82	11.7		386	7	6⅞	7	
13¾	10	Zero Corp	0.40	3.4	18	144	11⅝	11⅛	11⅝	+⅛
38	27¾	Zurn Ind	0.88	3.0	31	119	29	29	29	−¼
14⅛	12	Zweig Fund x	1.15	8.8		246	13	12⅞	13	+⅛
11	9½	Zweig Tot x	0.96	9.4		397	10¼	10⅛	10¼	+⅛

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices July 16

NASDAQ NATIONAL MARKET

3:00 pm prices July 16

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
XilinX		24	1986	22½	21½	21¾	−¼
Xoma Corp		8	3164	14¼	13	14⅛	+⅝
Yellow Fr	0.94	20	1104	25¼	24½	25¼	+½
York Rsch		5	276	5	4¼	4⅞	
ZionsUtah	1.44	11	103	55½	54	54¼	

FINANCIAL TIMES

Friday July 17 1992

AMERICA

Volatile Dow gives up early gains by midday

Wall Street

THE rise in the German discount rate, the withdrawal of Mr Ross Perot from the presidential race and a bigger-than-expected fall in weekly jobless claims pulled US stock markets in several different directions yesterday, *writes Patrick Harverson in New York.*

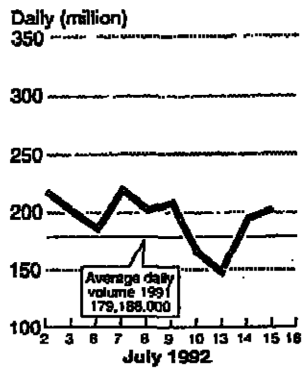
By 1 pm the Dow Jones Industrial Average, having risen almost 15 points at mid-morning on the Perot news, had settled down to post a 6.48 loss at 3,338.94.

At midsession the more broadly based Standard & Poor's was down 1.94 t 414.16, the Amex composite up 0.37 at 387.24 and the Nasdaq composite 2.57 lower at 572.90. Turnover on the NYSE was 125m shares by 1 pm.

Prices fell in early trading following the rise in the German discount rate, which prompted a sell-off in the dollar and raised concerns about how tighter German monetary policy would affect global economic growth. Investors were also worried that a weak dollar, while helping US exporters, could add to domestic inflation.

There was some good news in the form of a 15,000 decline in early July weekly jobless claims and Mr Perot's departure from the presidential election campaign.

NYSE volume



The latter provoked a brief rush of buying on the belief that President Bush's chances of staying in the White House had been boosted by Mr Perot's withdrawal.

Second quarter earnings figures again dominated trading, although investors seemed in a mood to take profits after companies announced their results.

One of the most actively traded stocks was Unisys, which eased $\$^1/_8$ to $\$9^5/_8$ in turnover of 2m shares after the computer group announced a $105.4m profit in the second quarter, a turnround from the $1.3bn loss of a year ago (although the vast bulk of that loss was due to a charge).

Caterpillar fell $\$^1/_4$ to $\$54^3/_4$ after the world's largest manufacturer of earth-moving equipment reported a $53m loss, blamed on a 9 per cent decline in sales and a change in the sales mix of products sold. At the same stage a year ago Caterpillar made a loss of $17m.

Waste Management eased $\$1^1/_4$ to $\$34^5/_8$ in heavy trading despite news of an increase in second quarter net income to $329.5m, up from the $206.9m earned a year earlier. Also slightly lower on good earnings growth was Colgate-Palmolive, which announced a 33 per cent improvement in profits to $124.4m but saw its shares fall $\$^1/_8$ to $\$14^7/_8$.

Canada

TORONTO stocks retreated to lower levels at midday after briefly climbing into positive territory following Mr Ross Perot's withdrawal from the U.S. presidential race. A sharp drop in US housing starts for June also weighed on the market.

The TSE 300 eased 5.8 to 3,466.3. Advances equalled declines at 192. Volume was moderate at 16.0m shares and transactions were valued at C$195.1m.

Among active issues, Dylex class A fell C$0.05 to C$3.85, Placer Dome was flat at $C\$13^3/_4$, BCE Inc was steady at $C\$47^1/_8$ and Canadian Pacific eased $C\$^1/_4$ to $C\$17^3/_4$.

EUROPE

Continent weakens on discount rate rise

THE BUNDESBANK's 0.75 point rise in the discount rate was a quarter- point more than expected, hardening one of the softer options available to the German central bank which yesterday repeated its concern about German monetary growth, and the accompanying inflation threat.

The move came in the early afternoon, and most bourses responded by marking share prices down, *writes Our Markets Staff.*

FRANKFURT closed higher ahead of the Buba decision, the DAX index rising 5.91 to 1,740.53, but an hour later most blue chips were showing losses of 0.5 to 1 per cent since the end of the session.

Earlier, short-covering and a rally in car stocks underpinned the market, as volume rose from DM3.9bn to DM4.1bn. Among car stocks, recovering from fears of higher German petrol taxes, BMW jumped DM9.50 to DM579, and Volkswagen by DM5 to DM380.70. After-hours losses were DM4, and DM3.20 respectively.

Other notable movers were the steel group, Thyssen, up DM3.90 at DM233.50, and the retailer, Ava, down a net DM28 at DM625. Thyssen rose on Germany's planned DM170bn transport revolution, and hopes that construction of the Transrapid magnetic train system would finally start soon.

FT-SE Eurotrack 100 - Jul 16

Hourly changes

Open	10.30am	11 am	12 pm	1 pm	2 pm	3 pm	close
1123.32	1124.78	1125.03	1126.71	1129.06	1121.94	1118.83	1120.48

Day's High 1129.86   Day's Low 1118.69

Jul 15	Jul 14	Jul 13	Jul 10	Jul 9
1122.53	1124.22	1121.63	1129.14	1128.17

Base value 1000 (26/10/90).

Ava fell as it went ex-dividend. There was talk that Ava's relationship with its biggest shareholder, Asko, and cautious prospects at its biggest competitor in food hypermarkets, Allkauf, were also behind the drop.

PARIS reflected volatility in the bond market which promptly fell after the Bundesbank raised its discount rate but then immediately bounced back to earlier levels. The CAC 40 index went as low as 1,844.95 and as high as 1,869.23 before closing 2.03 lower at 1,851.23 in moderate turnover of FFr1.87bn.

Total was the day's most active stock, adding FFr6 or 2.5 per cent to FFr245.

Michelin was also firmer, adding FFr6.20 or 3 per cent to FFr213.70. Dealers said the stock rose following the pleasing second quarter results from BFGoodrich, one of Michelin's competitors in the US. BFGoodrich said it expected growing demand for its products, which include aircraft tyres.

MILAN started the new account on a weak note as many stocks, including Fiat and Generali, went ex dividend. But a firm official closing by Generali lifted the market later. By midday, however, volume dried up as dealers closed their positions ahead of the Bundesbank's news conference. The market was closed by the time the Bank of Italy announced that it was raising interest rates, but Italian shares traded in London fell. The Comit index rose 1.23 to 446.65 in turnover estimated at less than Wednesday's L127bn.

Fiat dropped a net L11 to L4,970 while Generali rose a net L548.36 to L28,250 and hit L28,500 after hours. But both stocks came off in the afternoon in London, with the car company being quoted at L4,930/4960 and the insurer at L27,900/28,100.

AMSTERDAM weakened after the German announcement. The CBS Tendency index closed down 0.5 at 121.3, having earlier seen 122.6.

In the market, activity was generally negative with the exception of ABN Amro up 60 cents at Fl 45.60, CSM up Fl 1.80 at Fl 93.30 on Wednesday's news that it is to acquire a US bakery group and Heineken reaching an all-time high of Fl 173.70, up Fl 1.20.

Elsewhere Elsevier remained under selling pressure, losing Fl 1.90 to Fl 105.80 while Borsumij put on Fl 1 to Fl 58 after announcing the purchase of a unit of Van Ommeren, 30 cents weaker at Fl 37.40.

ZURICH turned negative after the Bundesbank move, and then recovered half of its losses, having moved in a relatively wide trading range. The SMI index of leading shares closed 5.7 lower at 1,838.7, 16 points below its high for the day but 16 points, too, above its low.

There was weakness in banks, with CS Holdings, SBC and UBS all down by a little under a percentage point. Banks had been looking for further declines in short-term interest rates and, at least on the day, this had come into question.

Mr Frederick Hasslauer of Swiss Volksbank, however, said that markets had not yet come to terms with the threat of further weakness in the dollar, could pose a problem to Nestlé, and other big dollar earners like the Swiss pharmaceutical groups.

MADRID had a hectic day with the general index closing 2.19 lower at 228.88 in moderate volume of Pta11.5bn. Construction stocks went against the trend in a technical rebound after several days of steep declines.

Telefónica weakened Pta10 to Pta1,070 with a heavy 1.6m shares traded.

ASIA PACIFIC

Nikkei mirrors decline in futures market

Tokyo

RUMOURS circulated, share prices fluctuated and the Nikkei average finally closed lower after small-lot activity, *writes Emiko Terazono in Tokyo.*

The Nikkei finished below 17,000 for the first time since last Friday, down 129.26 at 16,987.66. After opening at the day's high of 17,097.65, the index slowly sagged, mirroring a decline in the futures market. It hit a low of 16,917.70 later in the morning.

Volume dropped to 160m shares from 255m and falls led rises by 629 to 255, with 198 issues unchanged. The Topix index of all first section stocks lost 8.30 to 1,290.54, and in London the ISE/Nikkei 50 index slipped 4.51 to 1,012.69.

Rumours that the new securities watchdog, Japan's version of the US Securities and Exchange Commission, was scheduled to investigate the manipulation of futures markets by investment trusts unnerved market participants. Mr Chris Newton at James Capel said: "Market sentiment remains very fragile, and anything could undermine share prices."

Construction and housing-related issues were weak on reports that a small unlisted property developer, based in Tokyo, had gone bankrupt.

Daito Trust Construction fell Y340 to a year's low of Y3,820. Traders said investors had started to take profits on the stock, which had been firm previously on prospects of favourable earnings. Misawa Homes declined Y15 to Y920 and Daikyo closed Y5 down at Y686.

Dealers continued their efforts to generate activity by trading new Aids-related issues. Sumitomo Chemical gained Y1 to Y451 in active trading, along with Nippon Zeon, which advanced Y6 to Y660, and Calpis Food Industry, up Y40 at Y1,370. However, Meiji Milk Products receded Y16 to Y979 and Mochida Pharmaceutical relinquished Y30 to Y3,700.

High-technology shares lost ground on profit-taking. Toshiba, the most active issue of the day, dipped Y4 to Y660 after gains earlier in the week on small-lot foreign buying. Hitachi retreated Y8 to Y796 and NEC finished Y18 down at Y851.

In Osaka, the OSE average ended 160.44 off at 19,450.91 in volume of 11.2m shares. Textile company Daiichibo weakened Y22 to Y115 on reports that a subsidiary had failed to honour a bill. Daiichibo said it would cover the losses by selling property in central Osaka.

Roundup

AMONG Pacific Basin markets, Seoul recorded a 4½-year low while Hong Kong's strength continued.

SEOUL closed above intraday lows on late-buying by institutional investors and the composite index was finally 2.58 off at 511.61. Turnover was thin at Won108.85bn. Declines exceeded rises by 507 to 201.

Daewoo Group subsidiaries were active, with Daewoo Co rising Won200 to Won10,400 and Daewoo Heavy Machinery gaining Won200 to Won10,700.

HONG KONG ended at a record high but early gains were trimmed as investors took profits late in the session. The Hang Seng index added a net 37.07 at 6,162.53 in turnover of HK$4.20bn.

Banks were the best performers, Hang Seng Bank rising HK$1.50 to HK$53 and HSBC 50 cents to HK$53.

NEW ZEALAND set a 1992 high in heavy turnover with Telecom leading the way. The NZSE-40 index was ahead 6.69 at 1,589.23 after advancing from a day's low of 1,576.83. Turnover came to NZ$30.6m.

Telecom, which gained 4 cents to NZ$2.26, has so far risen 7 per cent this week.

MANILA reversed three days of declines, helped by a rise in PLDT shares in the US. The composite index rallied 23.09, or 1.6 per cent, to 1,451.50 in turnover of 114m pesos. PLDT climbed 15 pesos to 1,020 pesos.

BANGKOK saw active buying of finance and property shares as the SET index rose 8.51, or 1.15 per cent, to 750.38 in high turnover of Bt9.82bn.

Bangkok Land advanced Bt7 to Bt147 after the company said it was interested in applying to build a mass transit system in Bangkok.

SINGAPORE was widely lower on selling by institutional funds. The Straits Times Industrial index fell 18.54, or 1.25 per cent, to 1,462.61 in volume of 34.1m shares, against a previous 67.8m.

OCBC Foreign lost 40 cents to S$13.30, DBS Foreign 20 cents to S$13.30, Sembawang Shipyard 25 cents to S$7.25 and Keppel 15 cents to S$7.

TAIWAN wavered narrowly to finish mixed as many investors stayed on the sidelines. The weighted index eased 2.83 to 4,349.68. Turnover rose to T$22.4bn from T$19.35bn.

SOUTH AFRICA

GOLD shares gained ground on the higher bullion price. The gold index closed up 40 at 1,130 with Driefontein up R1.75 at R43.75. Industrials improved 16 to 4,279 and the overall index was 28 higher at 3,496.

Tel Aviv congratulates Labour on its victory

Hugh Carnegy describes the boost for equities

The morning after Israel's general election on June 23, the Tel Aviv Stock Exchange (TASE) reacted as if bucket loads of mannah had just fallen from heaven.

Prices shot ahead by more than 7 per cent in the first session in record volume. Three weeks later the market remains starry-eyed about the prospects for the economy under the new government. At yesterday's close the blue chip index had risen a further 2.84, or 1.8 per cent, on the day to 160.60, compared with 137.22 on the eve of the election.

The fact that the election was won by Labour, historically the party of state socialism in Israel, caused investors no pause. They are convinced that modern-day Labour will accelerate the process of deregulation (foreigners are now free to invest on the TASE) that moved slowly under the previous Likud government.

Mr Saul Bronfeld, the TASE chief executive, says: "Today Labour is supported more by the middle classes and the business sector, while the Likud tends to represent the less privileged parts of society, so the old labels are really very misleading."

The markets also believe Labour will restore battered relations with the US, allowing the release of $10bn in US loan guarantees, which are seen as vital to generating long-term growth in the immigration-burdened economy.

If welcoming a Labour government seems paradoxical, there is another apparent contradiction in the performance of the TASE. Even before the election, the market had been on a marked upward swing for three full years – interrupted only during the Gulf crisis of 1990-91 – in spite of the clear strains that mass immigration from the former Soviet Union was placing on the economy. Per capita growth has been negligible, unemployment is at record levels and the all-important export sector has been performing sluggishly.

Again, Mr Bronfeld says there is no contradiction in this. TASE-listed companies have benefited from the growth in domestic demand, from falling labour costs associated with rising unemployment and by a government-backed trend of declining real interest rates. According to TASE figures, average return on capital among listed industrial companies rose from 1.3 per cent in 1988, to 9.4 per cent last year. In the first quarter of 1992 the figure was up to 14.4 per cent.

There is another factor at work, however, which distorts TASE performance and may be engendering unrealistic overvaluation of some companies. The share market is relatively small, with a market capitalisation of Shk55bn ($22.9bn). The government bond market is worth Shk66bn and private bonds Shk10bn.

On the equity market, what is traded is only a small part of the total as ownership of the majority of shares is closely held. Mr Mark Meiras, an independent analyst, says that even the record turnover in June represented only about 3 per cent of all shares changing hands annually, compared with four or five times in other world markets.

Meanwhile, says Mr Meiras: "There is a hell of a lot of money flying about." Israel's providential funds, now less bound by regulations to invest in government securities, have assets of Shk60bn, of which only Shk3bn are in equities.

Last year was a record for new share issues on the TASE, totalling Shk1.9bn. Already this year, new issues have passed Shk2bn, as the government has at last begun to float shares in state companies such as Bezeq, the telecoms monopoly, and Israeli Chemicals. "But supply still nowhere near satisfies demand," says Mr Meiras.

The market's hope – and expectation – is that the new government will accelerate privatisation issues to soak up some of this demand. State holdings in the utilities, companies such as the El Al airline, and the oil refineries and the country's four big banks, could be worth several billion shekels.

The more worrying trend as far as the TASE is concerned is a growing tendency for Israel's star high-tech companies, such as Scitex, the computer printing specialist, and ECI Telecom, to prefer North American exchanges where their main markets lie. Israeli companies raised more than $500m in New York issues last year.

Mr Bronfeld admits this is worrying for the TASE. He is therefore trying hard to persuade companies such as Tadiran, an electronics maker, and Zim, the government-controlled merchant shipping concern, to balance their plans for a New York listing with a dual listing in Tel Aviv.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY JULY 15 1992								TUESDAY JULY 14 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (69)	144.21	−0.6	111.04	113.99	110.78	128.91	−0.2	4.23	145.09	112.44	114.64	112.39	129.19	153.68	140.94	144.85
Austria (19)	165.90	+0.3	127.74	131.14	127.44	127.56	−0.1	2.29	165.43	128.21	130.72	128.15	127.75	186.70	162.48	177.54
Belgium (42)	150.37	+1.1	115.78	118.85	115.50	112.91	+0.4	5.45	148.80	115.32	117.56	115.26	112.47	150.37	135.87	126.22
Canada (115)	129.80	+0.5	99.94	102.60	99.70	112.13	+0.5	3.17	129.15	100.09	102.04	100.04	111.61	142.12	124.32	140.53
Denmark (35)	247.04	+0.8	190.21	195.28	189.76	191.18	+0.1	1.84	245.03	189.90	193.61	189.81	190.96	273.94	226.81	249.48
Finland (15)	77.52	+0.9	59.69	61.28	59.55	65.83	+0.4	2.14	76.86	59.57	60.73	59.54	65.55	89.80	73.64	94.35
France (104)	164.39	+0.4	126.58	129.94	126.27	128.74	−0.3	3.63	163.81	126.95	129.42	126.88	129.18	168.75	148.06	126.77
Germany (65)	129.25	+1.0	99.52	102.18	99.28	99.28	+0.2	2.32	127.95	99.16	101.11	99.11	99.11	129.32	114.67	105.24
Hong Kong (54)	257.99	+0.4	198.64	203.92	198.18	256.11	+0.4	3.18	256.96	199.15	203.04	199.07	255.03	259.55	176.38	165.58
Ireland (16)	166.02	+2.7	127.83	131.23	127.53	129.71	+1.9	4.18	161.65	125.28	127.73	125.22	127.26	173.71	151.78	143.81
Italy (78)	69.45	−0.4	53.47	54.89	53.34	58.30	−0.9	3.58	69.72	54.03	55.09	54.01	58.81	80.86	66.03	69.89
Japan (473)	102.15	+0.3	78.65	80.74	78.47	80.74	+0.4	1.05	101.79	78.89	80.43	78.86	80.43	140.95	88.70	128.55
Malaysia (69)	248.15	−0.9	191.07	196.15	190.61	238.79	−0.9	2.63	250.47	194.11	197.90	194.02	240.92	250.47	212.49	221.34
Mexico (18)	1437.74	−0.2	1107.03	1136.48	1104.40	4900.55	−0.1	1.22	1440.78	1116.61	1138.42	1116.10	4907.36	1789.77	1355.22	1124.85
Netherland (25)	167.18	+1.1	128.73	132.15	128.42	127.16	+0.3	4.41	165.34	128.14	130.64	128.06	126.78	167.18	147.88	134.78
New Zealand (14)	47.61	−0.3	36.66	37.64	36.57	46.29	+0.0	4.91	47.74	37.00	37.72	36.98	46.32	48.52	42.01	48.66
Norway (23)	173.98	+2.6	133.96	137.53	133.65	137.20	+2.0	1.84	169.64	131.48	134.05	131.42	134.53	192.95	161.26	191.54
Singapore (38)	217.88	−1.1	167.76	172.23	167.36	161.75	−1.1	2.05	220.20	170.66	173.99	170.57	163.60	229.63	192.76	190.84
South Africa (61)	205.06	+1.9	157.89	162.09	157.51	173.55	+0.9	2.98	201.23	155.95	159.00	155.88	171.97	263.60	197.04	252.51
Spain (49)	149.46	−1.2	115.08	118.15	114.81	106.83	−1.4	5.50	151.25	117.22	119.52	117.17	108.40	161.72	146.86	143.18
Sweden (29)	195.02	+0.8	150.16	154.16	149.81	154.82	+0.1	2.63	193.52	149.98	152.91	149.92	154.70	200.28	173.09	190.70
Switzerland (63)	113.20	+1.4	87.16	89.49	86.97	93.76	+0.6	2.29	111.64	86.52	88.22	86.49	93.23	113.51	95.99	91.22
United Kingdom (228)	190.75	+0.8	146.87	150.77	146.51	146.87	+0.2	5.05	189.22	146.65	149.50	146.56	146.64	200.07	165.85	168.55
USA (522)	169.64	−0.2	130.62	134.10	130.32	169.64	−0.2	2.95	169.97	131.73	134.30	131.67	169.97	171.66	160.92	154.34
Europe (791)	154.69	+0.7	119.11	122.28	118.83	119.61	+0.0	4.04	153.69	119.03	121.38	118.98	119.58	156.88	139.31	133.17
Nordic (102)	181.52	+0.9	139.76	143.48	139.43	137.50	+0.3	2.28	179.82	139.36	142.08	139.30	137.15	188.52	169.66	184.30
Pacific Basin (717)	108.71	+0.3	83.70	85.93	83.51	87.28	+0.3	1.41	108.43	84.03	85.68	84.00	87.01	141.97	94.40	129.93
Euro − Pacific (1508)	127.31	+0.5	98.02	100.62	97.79	100.65	+0.2	2.70	126.70	98.19	100.10	98.14	100.48	145.21	113.80	131.54
North America (637)	167.14	−0.2	128.69	132.13	128.41	165.73	−0.2	2.96	167.40	129.74	132.29	129.70	165.98	169.69	158.70	153.40
Europe Ex. UK (563)	132.70	+0.7	102.17	104.91	101.95	103.77	−0.1	3.32	131.84	102.18	104.19	102.15	103.83	132.81	121.81	112.11
Pacific Ex. Japan (244)	173.37	−0.3	133.49	137.06	133.18	154.70	−0.1	3.46	173.84	134.72	137.38	134.68	154.88	176.31	149.00	143.56
World Ex. US (1702)	129.04	+0.5	99.35	102.00	99.12	103.00	+0.2	2.71	128.39	99.50	101.45	99.46	102.79	148.91	118.45	133.72
World Ex. UK (1996)	137.12	+0.1	105.58	108.40	105.34	121.10	+0.0	2.51	136.92	106.12	108.20	106.08	121.07	150.58	127.21	138.91
World Ex. So. Af. (2163)	141.38	+0.2	108.86	111.77	108.61	123.02	+0.0	2.80	141.09	109.35	111.50	109.31	122.98	153.05	130.04	138.92
World Ex. Japan (1751)	163.95	+0.2	126.24	129.61	125.96	148.09	−0.1	3.37	163.65	126.83	129.32	126.79	148.19	165.40	153.20	146.89
The World Index (2224)	141.75	+0.2	109.15	112.06	108.90	123.49	+0.0	2.80	141.44	109.62	111.76	109.57	123.44	163.70	130.66	139.67

Constituent change with effect 17/7/92: Deletion: Holderbank (P.C.) (Switzerland). Latest prices were unavailable for this edition.